

# Asia FX Talking: China's woes weigh on the region



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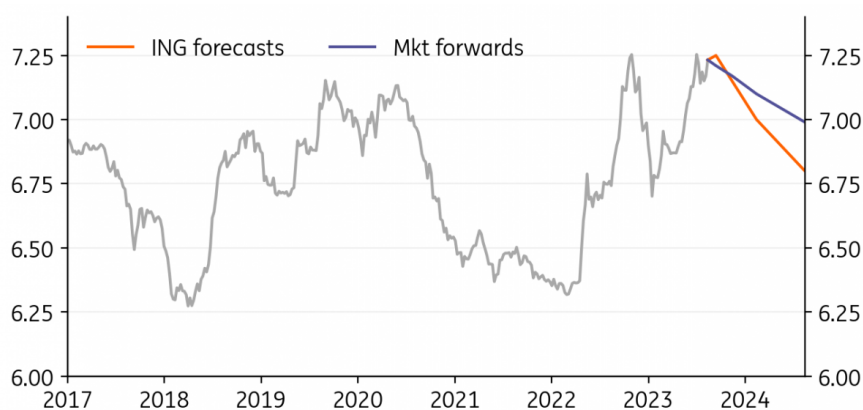
## Main ING Asia FX forecasts

	USD/CNY	USD/KRW	USD/INR
1M	7.30 ↑	1450.00 ↑	83.00 →
2M	7.40 ↑	1500.00 ↑	85.00 →
6M	7.30 ↑	1450.00 ↑	82.00 →
12M	6.95 ↑	1300.00 ↓	80.00 →

## USD/CNY: Saved by the holidays

	Spot	One month bias	1M	3M	6M	12M
USD/CNY	7.1467	Bullish ↗	7.30	7.40	7.30	6.95

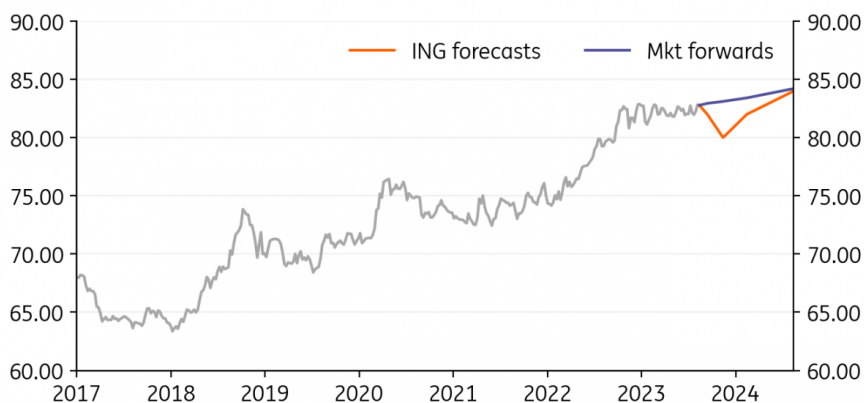
- The CNY slid sharply through most of September in defiance of PBoC warnings about one-way bets and some aggressive daily fixes. But this didn't stop the currency from hitting its weakest level in 14 years. A global risk rally on pivot hopes and the Golden Week holidays probably stopped the CNY from going weaker.
- Ongoing problems relating to the property sector and only gradual tweaks to the zero-Covid policy will likely keep the CNY under pressure over the end of the year.
- The 20th Congress starting on October 16th may provide a reason for a re-think, but until then, weaker seems the more likely direction for the CNY than stronger.



## USD/INR: Bond index hopes smashed

	Spot	One month bias	1M	3M	6M	12M
USD/INR	82.3300	Mildly Bullish ↗	83.00	85.00	82.00	80.00

- The INR was one of the best-performing Asian currencies in the first half of September, though rapidly falling Reserve Bank of India (RBI) fx reserves suggest that this came at a price.
- Maybe the RBI decided that there was no point depleting reserves further, or maybe it was the news that JP Morgan would not include Indian government securities in its global bond index until next year, in any case, the INR has reverted to type and slumped past 82.00
- We doubt this is it. Inflation is picking up again, and the RBI will probably want to feather its next rate moves to give the economy every chance after disappointing in 2022.



### USD/IDR: IDR weakens as inflation rises

	Spot	One month bias	1M	3M	6M	12M
USD/IDR	15,360.000	Mildly Bullish ↗	15400.00	15500.00	15000.00	14800.00
R	0		0	0	0	0

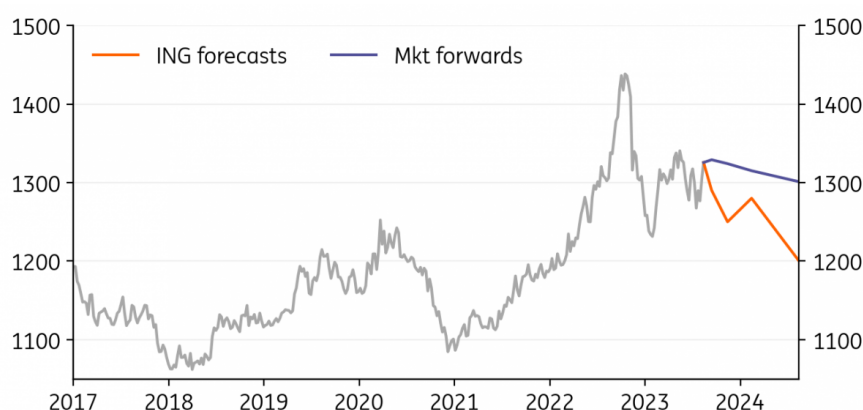
- The IDR traded sideways in early September before retreating on inflation concerns and as foreign investors grew more anxious about EM exposure in the light of Fed rate intentions.
- Bank Indonesia (BI) surprised markets with a punchy 50bp rate hike at their 22 September meeting. BI Governor Warjiyo justified the move as pre-emptive action ahead of the impact of price hikes on subsidized fuel.
- BI has stepped up intervention to steady the IDR, but we still expect currency weakness as risk sentiment fades. Additional tightening from BI may slow the pace of weakness, and Indonesia’s inflation is less worrying than some of its peers.



## USD/KRW: Weak KRW despite BoK intervention

	Spot	One month bias	1M	3M	6M	12M
USD/KRW	1,427.6000	Bullish ↗	1450.00	1500.00	1450.00	1300.00

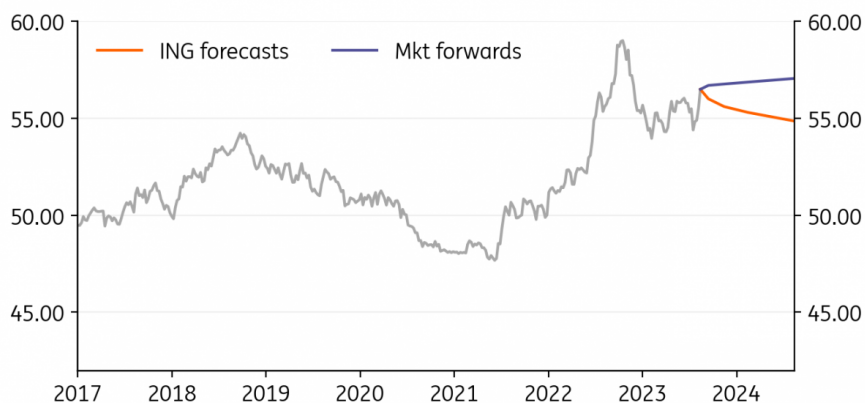
- The KRW has been on a roller-coaster ride during September, showing typical high beta currency movement.
- Fx reserves fell by -USD 19.6bn over the month as the authorities intervened. However, trade weakness continued, and as global liquidity conditions become tighter, and the interest gap between Korea and the US continues to widen, we expect more weakness.
- Despite growing concerns about recession, the Bank of Korea has made it clear that hikes will not end until inflation slows significantly. September inflation came down to 5.4% YoY, but it will rise again in October. As such, we expect the BoK to make a 50bp hike decision in October and a 25bp hike in November.



## USD/PHP: PHP tumbles as trade deficit widens to new record

	Spot	One month bias	1M	3M	6M	12M
USD/PHP	58.9800	Bullish ↗	61.00	61.50	59.00	58.00

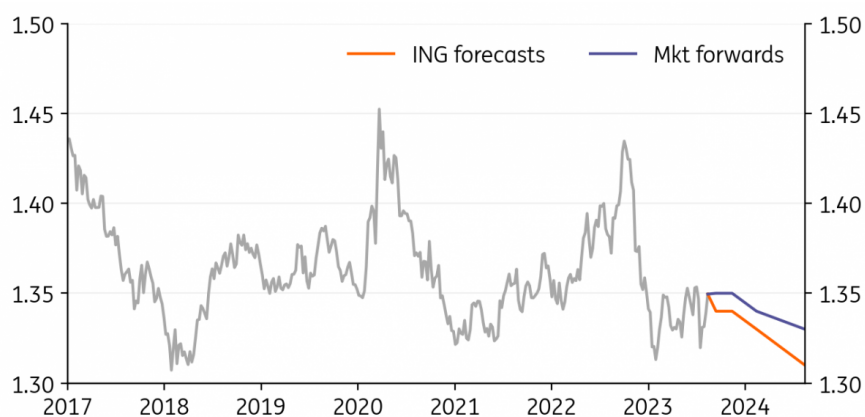
- The PHP took a tumble like most of its regional peers in September, sliding 3.8% for the month. A worsening balance of payments condition on the back of surging imports weighed on the currency as the July trade deficit widened to a record \$5.9bn. Foreign selling in the local equity market did not help the PHP either.
- Bangko Sentral ng Pilipinas (BSP) hiked policy rates by 50bp on 22 September as expected and BSP Governor Medalla vowed to retain a hawkish bias in the near term.
- The PHP is likely to face sustained weakness for the rest of the year as the Philippine current account remains in deep deficit while financial outflows related to Fed tightening persist.



### USD/SGD: SGD dragged down by its peers

	Spot	One month bias	1M	3M	6M	12M
USD/SGD	1.4368	Bullish <span style="color: green;">↗</span>	1.48	1.47	1.42	1.37

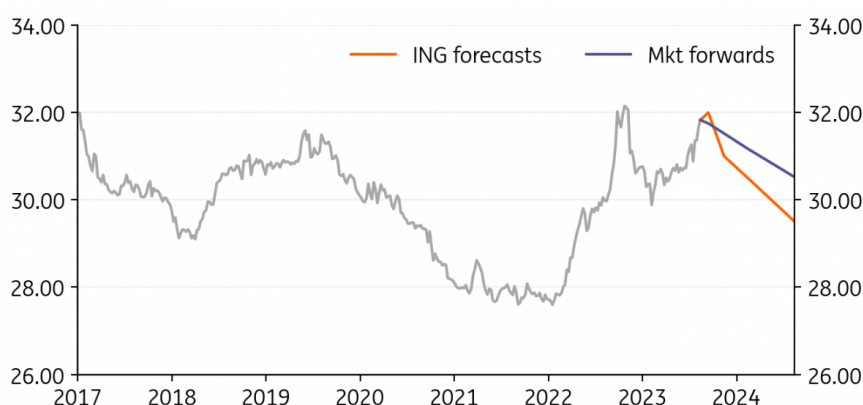
- The SGD tracked regional currencies on souring sentiment tied to the hawkish Fed tone and expectations for further US rate hikes.
- Inflation continued to accelerate with headline inflation rising to 7.5%YoY and core inflation to 5.1%. The Monetary Authority of Singapore is likely to tighten further in October and will probably need to act aggressively to steady the SGD and combat inflation even as the fiscal support undermines such tightening.
- The SGD will remain pressured in the near term as substantial weakness in trading partner currencies allows the NEER to remain relatively strong even as USD/SGD rises.



## USD/TWD: CBC fails to impress markets

	Spot	One month bias	1M	3M	6M	12M
USD/TWD	31.7400	Bearish <span style="color: red;">↘</span>	32.20	33.50	31.30	29.50

- The latest news on the global semiconductor cycle has confirmed the downturn in demand. And as the pre-eminent chip manufacturer in the region, this has hit the TWD harder than any other APAC currency except for the KRW and AUD.
- Taiwan’s central bank, the CBC, does not have the same inflation problems as other regional central banks. Inflation is currently only 2.75%YoY (Sept). But nonetheless, the 12.5bp rate hike in September taking the policy rate to 1.625% did not impress markets, even with the accompanying 25bp increase in the reserve ratio. Further weakness beckons.



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