

# Asia FX Talking: PBoC to fight devaluation pressure

2025 will likely be a long year for the PBoC as it fights depreciation pressure on the renminbi. We expect it to mount a strong defence - partially because China will be subject to even more US tariffs if the renminbi is allowed to weaken. Elsewhere, we see no respite for the Korean won. But India's rupee and Indonesia's rupiah could hold up a little better



View of the People's Bank of China, Beijing

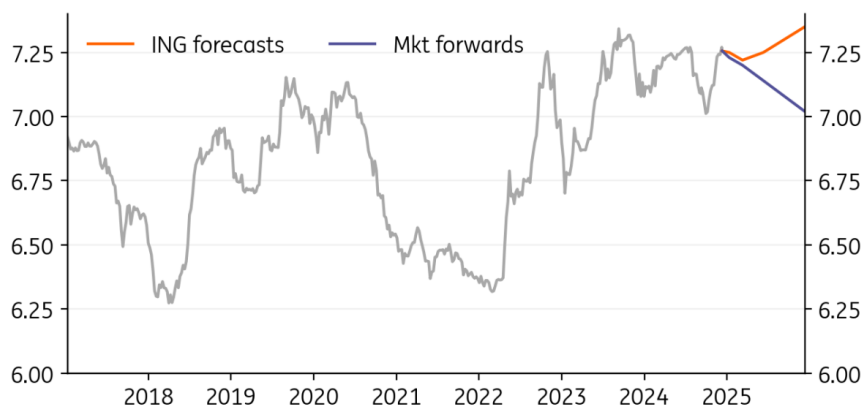
## Main ING Asia FX Forecasts

	USD/CNY	USD/KRW	USD/INR
1M	7.25 →	1450 ↑	84.70 ↓
3M	7.22 →	1450 ↑	84.00 ↓
6M	7.25 ↑	1425 ↑	83.50 ↓
12M	7.35 ↑	1400 ↓	84.00 ↓

## USD/CNY: PBoC resumes CNY defence

	Spot	One month bias	1M	3M	6M	12M
USD/CNY	7.2515	Neutral	7.25	7.22	7.25	7.35

- The Chinese yuan moved a little weaker amid the stronger dollar backdrop. However, contrary to market speculation that the CNY will be among the hardest-hit currencies, the depreciation has been moderate so far. The USD/CNY reached a peak of 7.28 before pulling back.
- Early signs are that the People’s Bank of China is continuing with its currency management strategy. Use of the countercyclical factor has ramped up in the past month, limiting the CNY’s depreciation. We don’t see an intentional large-scale devaluation in our baseline scenario.
- With our new house view on tariffs, we’ve turned a little more cautious on the near-term CNY outlook. A Trump trade unwind could help the CNY recover, but tariff developments could be catalysts for more depreciation. US-China yield spreads should still gradually narrow but likely by less than expected prior to Trump’s election victory.

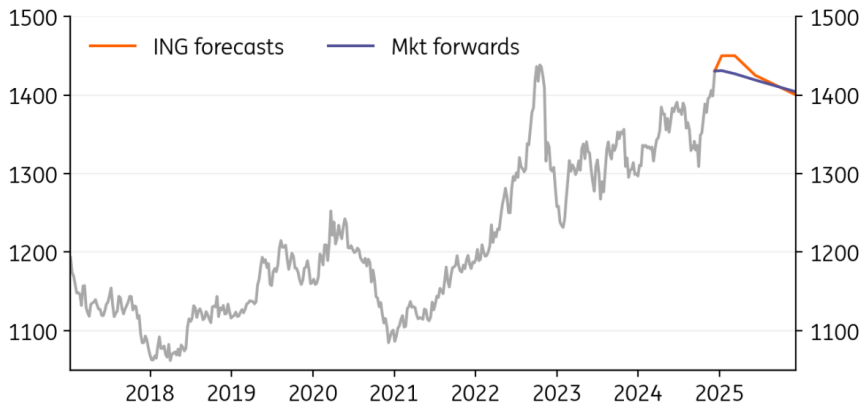


Source: Refinitiv, ING forecasts

## USD/KRW: Uncertainty over politics puts more pressure on KRW

	Spot	One month bias	1M	3M	6M	12M
USD/KRW	1,432.4000	Mildly Bullish ↗	1450.00	1450.00	1425.00	1400.00

- The Korean won shot up to near 1,430 on the back of recent political turmoil. Market volatility will continue, but systemic risk is unlikely as authorities are providing liquidity to the market.
- While the current situation is fluid, the upside for the KRW is open to 1,450+ in the near term. Throughout next year, the expected escalation of trade tensions and widening rate differentials will keep the KRW above the 1,400 level.
- The KRW is likely to remain one of the worst performers among Asian currencies in 2025.

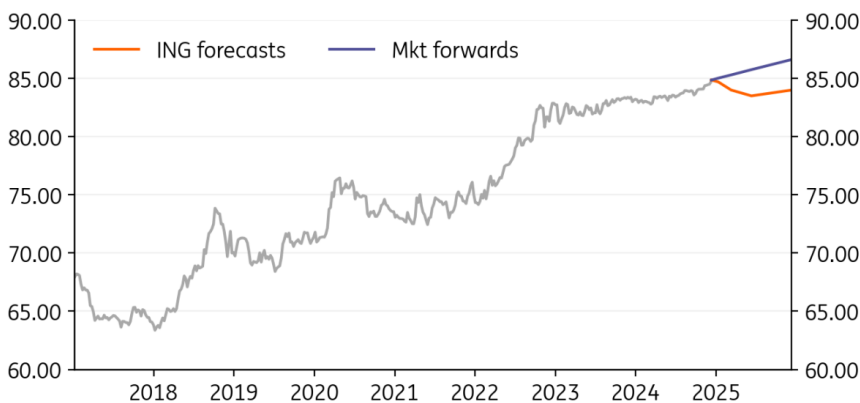


Source: Refinitiv, ING forecasts

### USD/INR: INR should be relatively less impacted by US tariffs

	Spot	One month bias	1M	3M	6M	12M
USD/INR	84.9000	Mildly Bearish ↘	84.70	84.00	83.50	84.00

- The Indian rupee witnessed modest depreciation in the last month despite some measures by the central bank to encourage foreign inflows. The Reserve Bank of India raised the ceiling on Foreign Currency Non-Resident Bank deposits (FCNR-B) for maturities of one to three years and three to five years by 150bp until the end of the FY ending March 2025.
- The RBI left the Repo rate unchanged at 6.5% but cut the cash reserve ratio by 50bp to 4%. The CRR cut reflects the RBI’s aim to address the sharp tightening of banking system liquidity arising from the RBI’s FX operations as well as expected volatility in capital flows. We continue to expect the RBI to cut rates in February 2025.
- Foreign outflows from Indian equity markets have moderated, supporting the INR, with IT and Financials witnessing net inflows. On balance, the RBI will likely continue to intervene to smooth any sharp moves on the upside given still ample FX reserves.



Source: Refinitiv, ING forecasts

## USD/IDR: Improving local dynamics are positive for the IDR

	Spot	One month bias	1M	3M	6M	12M
USD/IDR	15,865.000 0	Mildly Bearish ↘	15500.0 0	15250.0 0	15200.0 0	15200.0 0

- USD/IDR has remained rather stable since the US elections likely because of Bank Indonesia's intervention and a preference for currency stability. Lower export exposure to the US and hence a less direct impact from higher tariffs has also helped the local currency to stabilise.
- Risks to inflation remain muted with the most recent headline CPI inflation reading at 1.5% year-on-year. BI left its key policy rate unchanged at the November meeting with its forecasts for US 2 and 10 rates rising to 4.5% and 4.7%, respectively. This suggests that the BI is likely to tread cautiously in its rate-cutting cycle while focusing on IDR stability.
- Finance Minister Sri Mulyani Indrawati is scheduled to hike Value Added Tax from 11% to 12% from January, signalling her commitment to fiscal consolidation. Lower dependence on foreign investors for fiscal deficit funding should be an overall positive for the Indonesian rupiah.

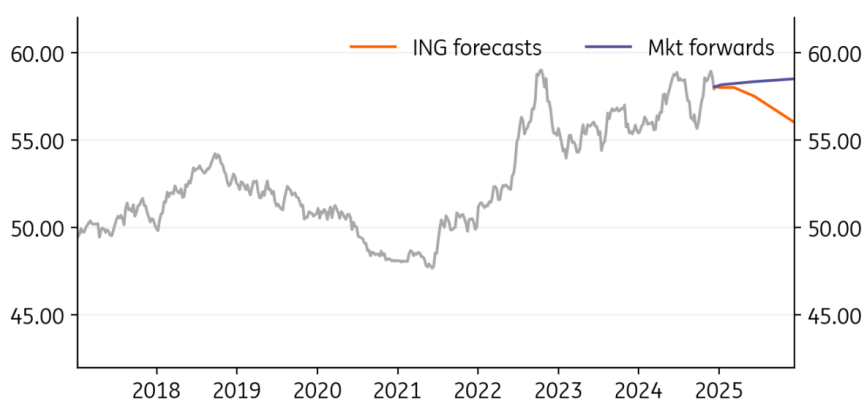


Source: Refinitiv, ING forecasts

## USD/PHP: Likely to trade in a range

	Spot	One month bias	1M	3M	6M	12M
USD/PHP	58.0800	Neutral	58.00	58.00	57.50	56.00

- The Philippine peso was one of the best performers in Asia last month, appreciating by c.2% to as low as 57.75/USD after hitting the lows of 59.0. BSP has historically defended the 59.0 level.
- The currency pair is likely to trade in a range in the near term. CPI inflation ticked higher to 2.5% YoY in November 2024 largely driven by higher food inflation due to recent storms. However, rice prices corrected handsomely, and the trade deficit is likely to remain.
- The real policy rate at 3.5% is at an all-time high when GDP growth is expected to remain below the government’s target of 6-7%. We expect the BSP to continue to cut policy rates by another 25bp in December.

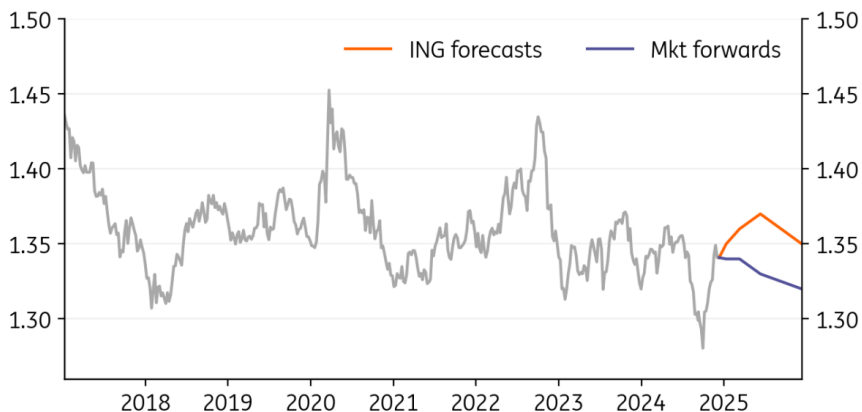


Source: Refinitiv, ING forecasts

## USD/SGD: SGD could underperform as policy easing comes closer

	Spot	One month bias	1M	3M	6M	12M
USD/SGD	1.3428	Neutral	1.35	1.36	1.37	1.35

- The Singapore dollar’s performance was average in the Asian FX league last month with the currency facing some mild depreciation pressures.
- We expect GDP growth to slow down in 2025 driven by slower export growth. CPI inflation moderated sharply to 1.4% YoY in October from 2% in September and much below consensus expectations of 1.8%. Core inflation also fell sharply to 2.1%.
- Given this backdrop, monetary policy easing by MAS cannot be ruled out in January. The recent drop in SGD NEER has already loosened the policy but an explicit slope reduction might take longer and materialise only by April next year when core inflation sustainably falls below 2%. This could, however, maintain downward pressure on SGD.

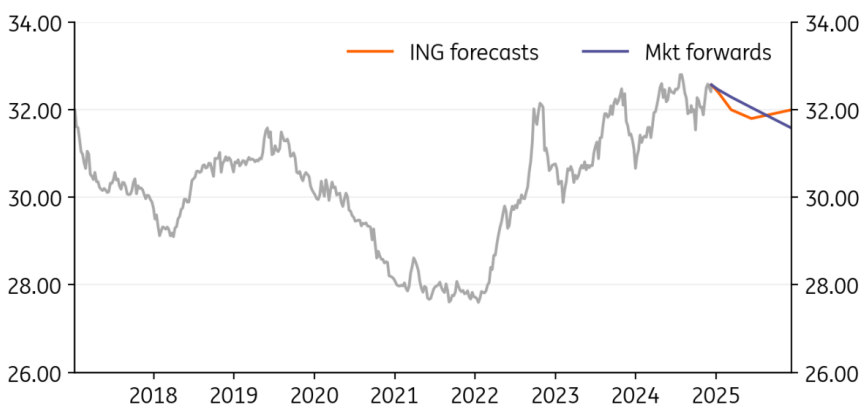


Source: Refinitiv, ING forecasts

### USD/TWD: TWD softened but limited post-Trump impact

	Spot	One month bias	1M	3M	6M	12M
USD/TWD	32.5600	Mildly Bearish ↘	32.40	32.00	31.80	32.00

- The Taiwan dollar weakened slightly over the past month, with the USD/TWD moving as high as 32.6 amid a stronger dollar. The TWD has been one of the less impacted Asian currencies since Trump’s election victory, down just 0.45%.
- Key drivers of the TWD mostly favoured TWD depreciation over the last month. Equity market fund flows swung back to negative levels, and more investors began buying foreign bond ETFs. US-Taiwan yield spreads generally widened over the last month.
- The TWD has been one of the underperforming Asian currencies in 2024, down over 5% at the time of writing. Early indications are for the TWD to fare better in 2025 if the export picture remains solid and yield spreads narrow.



Source: Refinitiv, ING forecasts

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