

# Asia FX Talking: Manning the renminbi barricades

Chinese authorities are working through their tool kit of policies to support the renminbi. It seems unlikely they will allow substantial weakness to come through and instead will be hoping that their actions can buy them some time until the broad dollar trend turns lower



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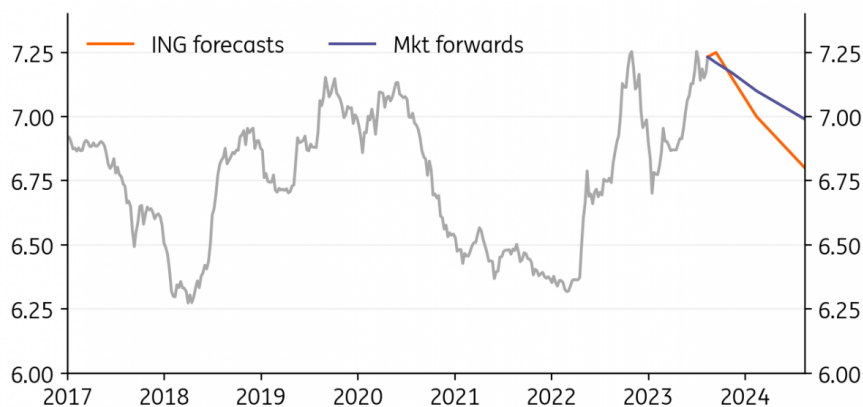
## Main ING Asia FX forecasts

	USD/CNY	USD/KRW	USD/INR
1M	7.25 ↓	1320 ↓	82 ↓
3M	7.15 ↓	1280 ↓	81 ↓
6M	7 ↓	1250 ↓	82 ↓
12M	6.8 ↓	1200 ↓	84 →

## USD/CNY: People’s Bank of China still holding the line

	Spot	One month bias	1M	3M	6M	12M
USD/CNY	7.3424	Mildly Bearish ↘	7.25	7.15	7.00	6.80

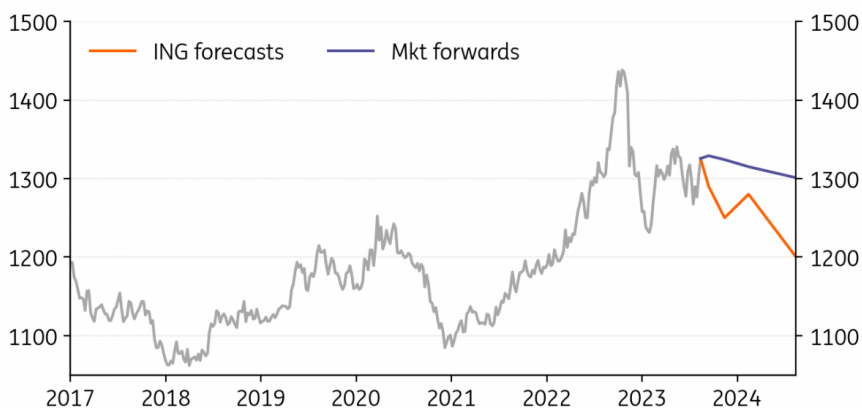
- The CNY continues to trade close to 7.30 - a level which the PBoC has defended staunchly with its daily fixes, loosening up requirements to hold foreign currency on reserve, as well as encouragement for banks to sell USD and buy CNY.
- Together with a slew of supply-side measures aimed to breathe life into the property market, the line is being held for now.
- This feels like a holding pattern, no more, in the hope that the US slows, Fed rate expectations dip, and the USD pressure on currencies like the CNY abates. The data has begun to turn in this direction, so it may just pay off... or not.



## USD/KRW: KRW weakens on China and semiconductor woes

	Spot	One month bias	1M	3M	6M	12M
USD/KRW	1,334.8000	Mildly Bearish ↘	1320.00	1280.00	1250.00	1200.00

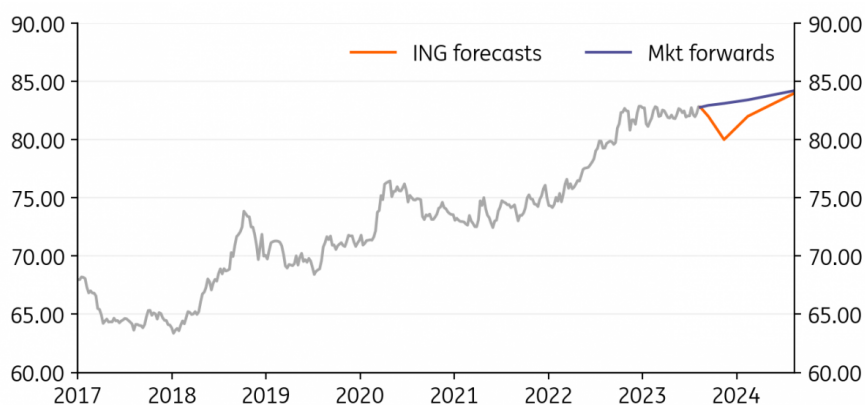
- The KRW traded above 1,300 throughout August, reacting substantially to the prospect of higher US rates for longer.
- The trade balance has now recorded a surplus for a third month, but rising concerns over China and the Chip industry will be the main drag for the export recovery.
- The BoK will maintain its hawkish tone on monetary policy as inflation surged back above the 3% level, following recent severe weather conditions and a pick-up in global commodity prices. As inflation is expected to stay above 3% for a couple of months, we may only see a rate cut in the second quarter of 2024.



### USD/INR: Testing the trade range topside

	Spot	One month bias	1M	3M	6M	12M
USD/INR	83.0300	Mildly Bearish ▼	82.00	81.00	82.00	84.00

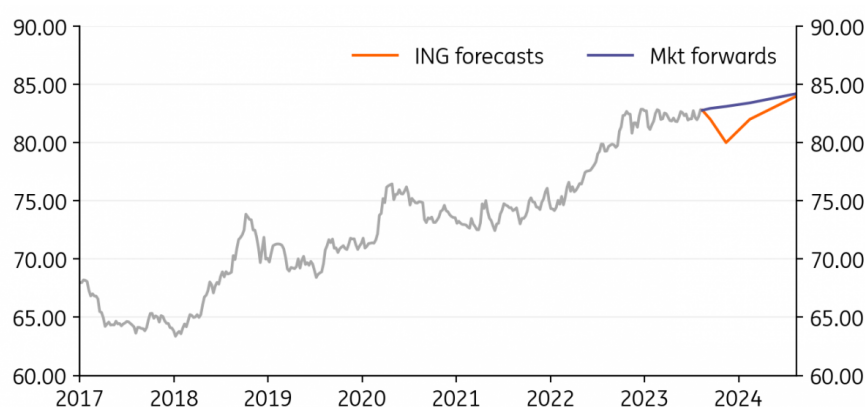
- The INR traded above the 83 level in mid-August, and it looked as if the Reserve Bank of India had dragged it back within the tight range it had inhabited since last October, but it is testing the topside again.
- Stronger GDP for the second quarter and some much higher inflation figures last month mean that rate cuts are no longer on the calendar for this year.
- But food-based inflation spikes should prove temporary and will already begin to ease lower this month, and so rate cuts can start to be considered again from early next year, which may allow the INR to drift higher against the USD.



## USD/IDR: IDR slips as trade surplus support fades

	Spot	One month bias	1M	3M	6M	12M
USD/IDR	15,325.0000	Neutral	15200.00	15000.00	14900.00	14750.00

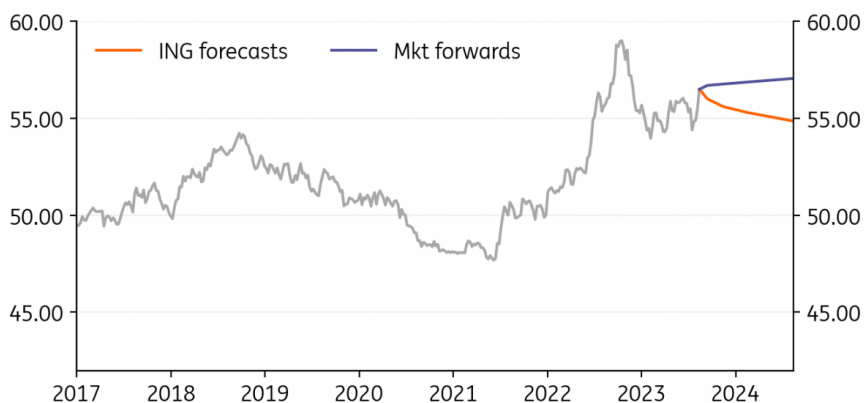
- The IDR remained under pressure in August and early September. The trade surplus continues to narrow, falling to \$1.3bn in July from \$3.5bn the previous month and much lower than the 2022 high of \$7.6bn.
- Bank Indonesia (BI) kept policy rates unchanged again (at 5.75%) in August with the interest rate differential with the US staying at a meagre 50bp.
- The IDR will likely remain under pressure in the near term given expectations for further dilution of the trade surplus and no increase in the interest rate differential.



## USD/PHP: PHP weakens as import bill is expected to be bloated

	Spot	One month bias	1M	3M	6M	12M
USD/PHP	56.6700	Neutral	56.80	55.50	55.10	54.50

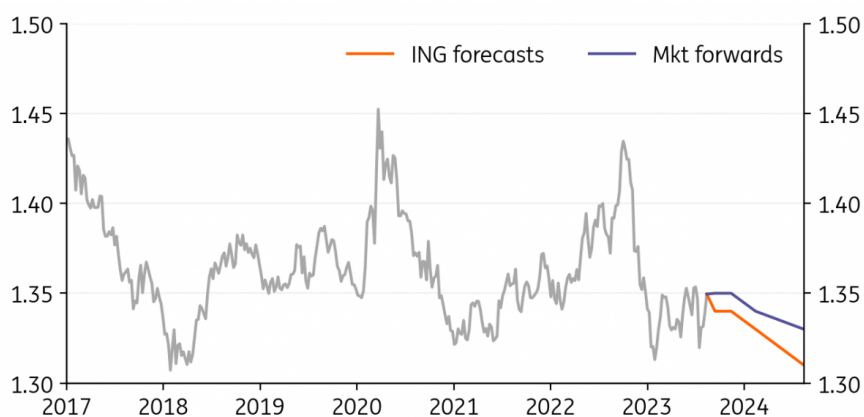
- The PHP lost ground in August after a disappointing second-quarter GDP report. GDP growth slid to 4.3% YoY, which could constrain the central bank from hiking policy rates.
- Meanwhile, dollar demand picked up on expectations for an increase in energy and rice imports. The rice shortage will lead to higher rice imports while resurgent global energy costs should translate to a higher energy import bill.
- The PHP is likely to remain on the backfoot with the trade deficit still substantial, but a hawkish Bangko Sentral ng Pilipinas (BSP) could provide some support should BSP be forced to hike rates if inflation rises further.



### USD/SGD: SGD weighed down by regional peers

	Spot	One month bias	1M	3M	6M	12M
USD/SGD	1.3649	Neutral	1.36	1.33	1.31	1.30

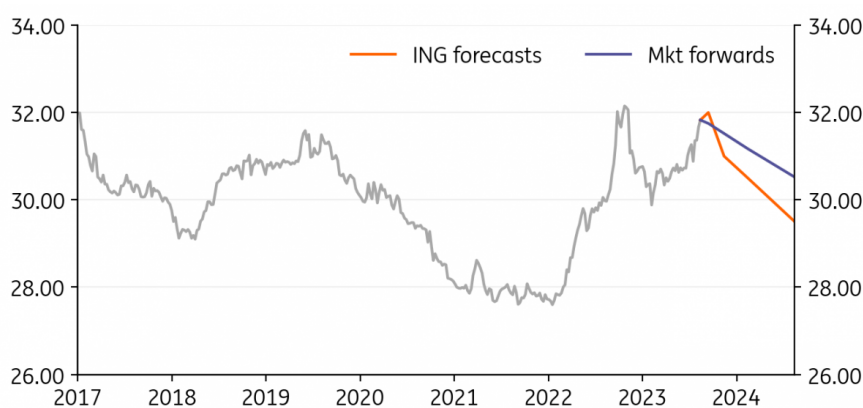
- The SGD slid against the USD for most of August as expectations for US rates to stay high persisted. China’s weak economy and the CNY have also dragged the SGD weaker.
- Second-quarter GDP data was revised lower, which suggests that the Monetary Authority of Singapore (MAS) will keep policy settings untouched in October to support growth despite still elevated inflation.
- The SGD NEER should continue its modest appreciation path in the months ahead with core inflation still elevated (3.8%). Sustained weakness for the CNY could likely weigh on the SGD in the near term, however.



## USD/TWD: Watch out for political noise

	Spot	One month bias	1M	3M	6M	12M
USD/TWD	32.0800	Bearish ↘	31.00	30.80	30.50	29.50

- After weakening in early August, the rise in USD/TWD was capped at just below 32, suggesting central bank support for the currency at this level.
- Some slightly less negative semiconductor industry data, together with a slow build-up of Mainland Chinese support for their economy and limited CNY weakness have to be set against a rise in geopolitical tensions and equity weakness.
- With Taiwan’s Presidential election in January next year, the political backdrop could turn more negative over the fourth quarter, and the outlook for the TWD will hang on further.



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