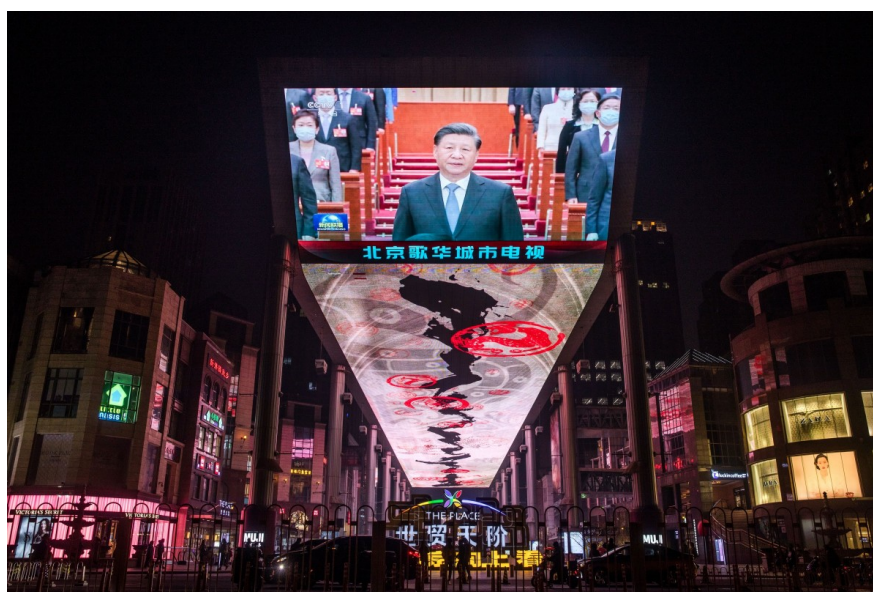


Asia FX Talking: Finding support after a tough February

Asian currencies have struggled to hold onto early-year gains. More evidence of Chinese expansion should provide some support to the renminbi, although broader gains for the region may have to wait for the second half. 30 March could be interesting, too. Will Korean and Indian sovereign bond markets be included in FTSE Russell bond benchmarks?



Opening session of the Chinese People's Political Consultative Conference (CPPCC) in Beijing, China - 04 Mar 2023

Source: Shutterstock

Main ING Asia FX forecasts

	USD/CNY		USD/KRW		USD/INR	
1M	6.90	→	1350.00	↑	83.00	→
3M	6.80	↓	1280.00	↓	82.00	→
6M	6.70	↓	1250.00	↓	81.00	→
12M	6.45	↓	1200.00	↓	83.00	→

↑ / → / ↓ indicates our forecast for the currency pair is above/in line with/below the corresponding market forward or NDF outright

Source (all charts and tables): Refinitiv, ING forecast

USD/CNY: The yuan isn't following the recovery path

	Spot	One month bias	1M	3M	6M	12M
USD/CNY	6.9234	Neutral	6.90	6.80	6.70	6.45

- The yuan has been a lot weaker in February even after the strength that followed the upside miss on the PMI data. There have also been capital outflows as the yuan has weakened, creating further weakening pressure.
- The Two Sessions should give the market more direction on GDP growth and policy support for infrastructure investment. China has set a [GDP growth target of around 5%](#), which is lower than market expectations.
- The main challenge this year will be weaker external demand, which will affect exporters' dollar receipts.

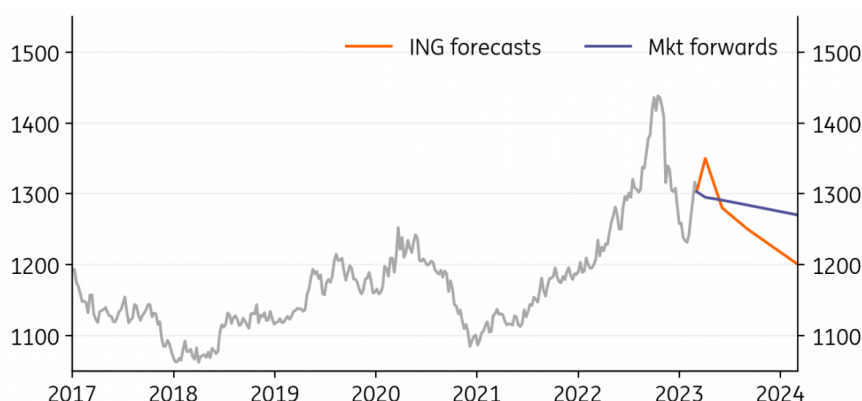


Source: Refinitiv, Macrobond, ING

USD/KRW: KRW has returned all its gains of the past 3 months

	Spot	One month bias	1M	3M	6M	12M
USD/KRW	1,296.5000	Bullish 	1350.00	1280.00	1250.00	1200.00

- The Korean won has returned all of its gains over the past three months, returning to the 1,320 won level again as of the end of February.
- Despite expectations for China's reopening benefits, the KRW has been especially sensitive to shifting expectations for other major central banks such as the Federal Reserve and the Bank of Japan. As a result, we expect the KRW to depreciate a bit more in the near term as uncertainties will grow.
- However, as the trade deficit likely begins to narrow in the second quarter and the number of Chinese tourists gradually increases, we expect the KRW to strengthen again in the second half of the year.

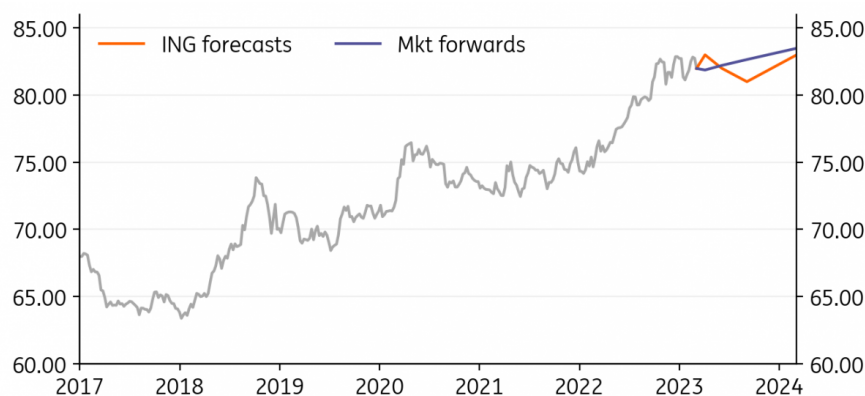


Source: Refinitiv, Macrobond, ING

USD/INR: Strong growth momentum not helping the INR

	Spot	One month bias	1M	3M	6M	12M
USD/INR	81.7120	Mildly Bullish 	83.00	82.00	81.00	83.00

- The Indian rupee is almost back to where it started the year, after making some gains in early January, which it has almost entirely relinquished following the USD resurgence, and despite registering some solid economic growth at the end of 2022.
- Inflation remains stubbornly high, with the most recent prints showing a return to above-target headline inflation and a new focus on core rates making it unlikely that the Reserve Bank of India has completed its tightening cycle just yet.
- And the whole issue of global bond inclusion has gone awfully quiet. With \$30bn-\$40bn of estimated inflows at stake, this will make a difference, if it happens. Announcement due 30 March.

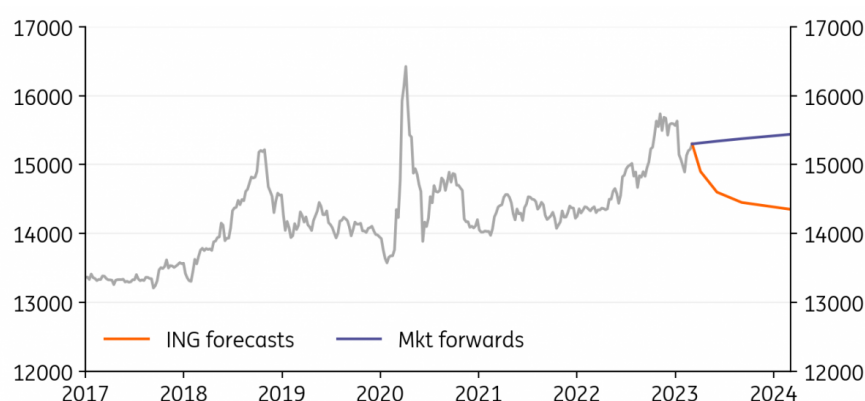


Source: Refinitiv, Macrobond, ING

USD/IDR: IDR slides after BI pause

	Spot	One month bias	1M	3M	6M	12M
USD/IDR	15,295.0000	Mildly Bearish ▼	14900.00	14600.00	14450.00	14350.00

- The Indonesian rupiah in February lost some of the gains it made in January. Sentiment may have been impacted by planned regulations for exporters to retain a portion of earnings onshore.
- Bank Indonesia (BI) Governor Perry Warjiyo, declared victory against inflation, opting to keep rates untouched at the February meeting despite headline inflation staying well-above target. The end of the BI rate hike cycle means the IDR will be leaning heavily on the trade surplus for support.
- We expect the IDR to recover slightly given expectations for the trade balance to remain in surplus, but the end of the BI rate hike cycle means the IDR could lag regional peers.

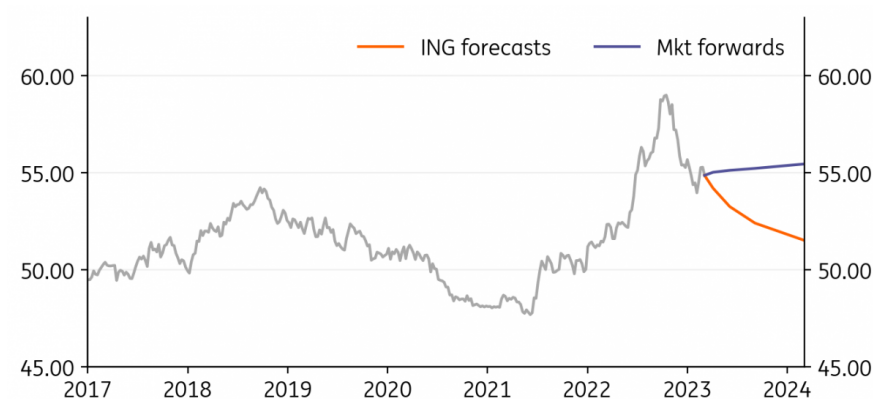


Source: Refinitiv, Macrobond, ING

USD/PHP: Peso retreats after CPI surprise

	Spot	One month bias	1M	3M	6M	12M
USD/PHP	54.9600	Mildly Bearish ▼	54.20	53.25	52.40	51.50

- The Philippine peso was down roughly 1.2% in February after CPI inflation shot up to 8.7% year-on-year, though was one of the better-performing currencies in Asia. Surging prices prompted foreign selling in the local equity market on growth concerns.
- Bangko Sentral ng Pilipinas (BSP) responded with a 50bp rate increase at its February meeting, but this still left real policy rates deeply negative. The PHP could struggle with the prospect of a prolonged period of deep negative real policy rates as inflation stays stubbornly high.
- The BSP signalled that it would only hike by 25bp at the next meeting. The chronic trade deficit will not help either.

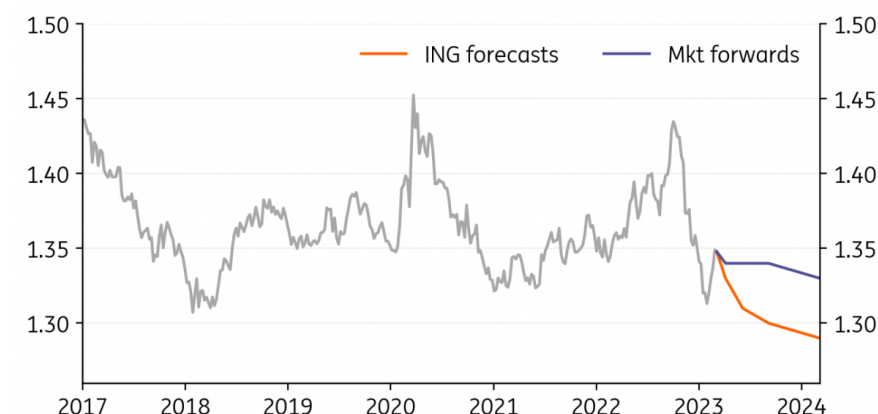


Source: Refinitiv, Macrobond, ING

USD/SGD: SGD slips as sentiment sours

	Spot	One month bias	1M	3M	6M	12M
USD/SGD	1.3446	Mildly Bearish ▼	1.33	1.31	1.30	1.29

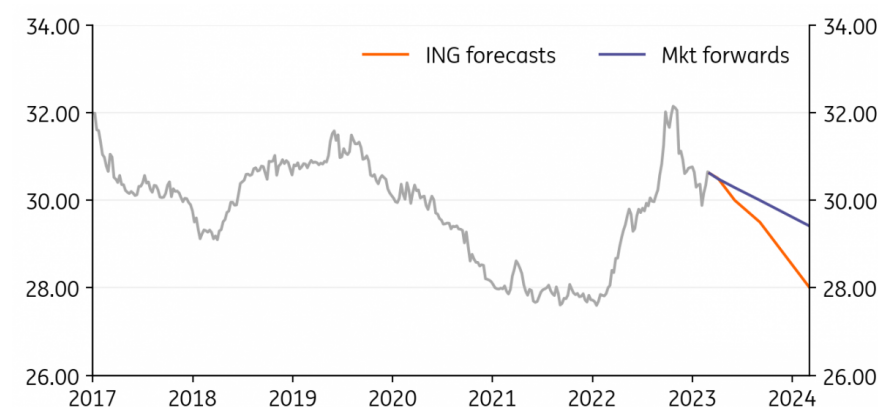
- Singapore's dollar has lost ground throughout February as it tracked other regional currencies, though the SGD NEER has remained steady over the month. Singapore's exports continue to struggle given the difficult external growth backdrop.
- Inflation came in below market consensus expectations at both the core and headline level but still increased, taking inflation further above target. Price pressures remain evident after the implementation of the latest round of goods and services tax (GST) hikes. Finance Minister Lawrence Wong shared that inflation would stay elevated for at least the first half of the year.
- The Monetary Authority of Singapore is likely to maintain its hawkish stance at the April meeting given elevated inflation.



USD/TWD: Weak international trade pushes TWD weaker

	Spot	One month bias	1M	3M	6M	12M
USD/TWD	30.5970	Neutral	30.50	30.00	29.50	28.00

- Taiwan's macroeconomic fundamentals are weak as it is heavily focused on semiconductor manufacturing at a time when global demand for semiconductors is very soft.
- The market believes that Taiwan could benefit from Mainland China's reopening and recovery. But as many Chinese consumers have recently upgraded their technology during last year's lockdowns, this may not be such a big boost unless a new source of demand for smart devices appears.
- Taiwan is also caught in the middle of the US-China technology war, which creates another challenge for its manufacturing industry, and in turn, export earnings and the Taiwan dollar.



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