Asia FX Talking: Renminbi set to come under more pressure

Softer US data and a mixed set of tariff news have seen Asian currencies trade on a relatively steady footing over the last month. But with Asia responsible for the lion's share of the $1tr+ US goods trade deficit, it'll be on the front line when it comes to reciprocal tariffs in April. Expect pressure to build on the renminbi, but authorities to hold the line

We're expecting pressure to resume on the renminbi when the US delivers reciprocal tariffs in April

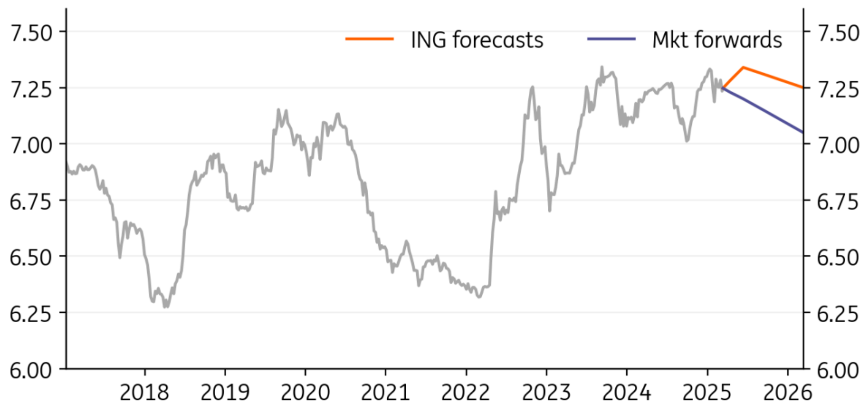
Main ING G10 FX Forecasts

	USD/CNY	USD/KRW	USD/INR
1M	7.28 ↑	1450 ↓	87.00 ↓
3M	7.34 ↑	1475 ↑	88.00 ↑
6M	7.31 ↑	1450 ↑	88.00 ↑
12M	7.25 ↑	1425 ↓	89.00 ↑

USD/CNY: CNY strengthened as Two Sessions signals confidence

	Spot	One month bias	1M	3M	6M	12M
USD/CNY	7.2475	Mildly Bullish	7.28	7.34	7.31	7.25

- USD/CNY strengthened over the past month, trading in a range of 7.22-7.31. The People's Bank of China continues to aid currency stability via the counter-cyclical factor in its daily fixing.
- Some choppiness within this band: another surprise 10% tariff hike on 4 March sent the CNY weaker but it rallied after strong targets set at the Two Sessions and global developments. Fund inflows amid a rally of Chinese equities also supported the CNY.
- Considering the recent rally and various uncertainties ahead, we hold a slight CNY bearish bias over the next month; tariff risks look high for April, and it's possible we will also see monetary easing. We hold our 2025 call for a 7.00-7.40 fluctuation band.

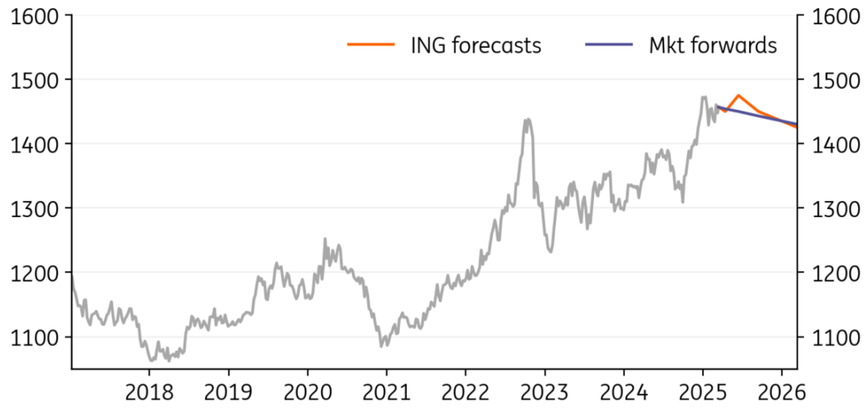


Source: Refinitiv, ING forecasts

USD/KRW: Political situation to shape the future of the KRW

	Spot	One month bias	1M	3M	6M	12M
USD/KRW	1,456.8000	Neutral	1450.00	1475.00	1450.00	1425.00

- The KRW broke through the 1,460 mark again due to increased political uncertainty at home. With a decision from the Constitutional Court expected soon, further volatility seems inevitable.
- Once domestic politics gets a clearer focus, we expect some unwinding of recent KRW weakness, but to be only short-lived as the global tariff war may hit sentiment.
- The Bank of Korea is likely to pause its easing in April, while supplementary budget issuance will take centre stage of policy support.

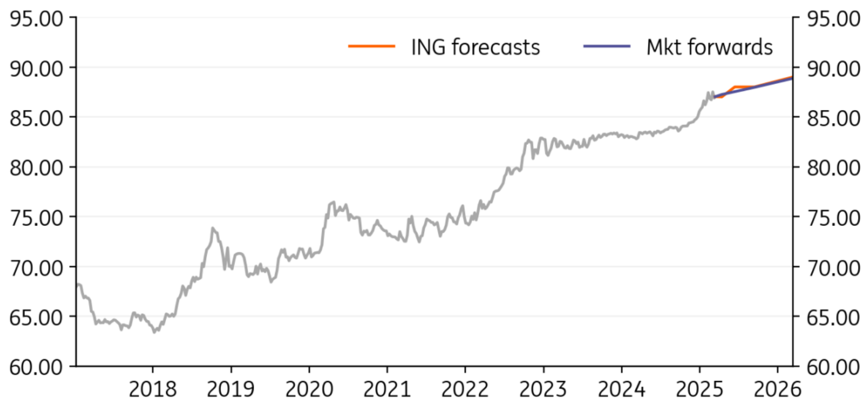


Source: Refinitiv, ING forecasts

USD/INR: More downside pressure on INR in the near term

	Spot	One month bias	1M	3M	6M	12M
USD/INR	87.0200	Neutral	87.00	88.00	88.00	89.00

- INR underperformed most of the region and appreciated by just 0.1% vs the USD last month. The RBI likely continued to intervene last month to support the rupee. Recall that the RBI net sold over USD35bn in 2H24 to contain depreciation pressures on INR.
- Foreign outflows accelerated with foreign selling in the equity markets close to USD16bn so far this year. The cyclical growth correction for the domestic economy, despite easing of the dollar index, has been a key trigger.
- In addition, liquidity injections by the central bank have been driving bond yields lower. Growth moderation and overvaluation of REER as well as equity markets should mean INR trades with a downside bias in the near term.

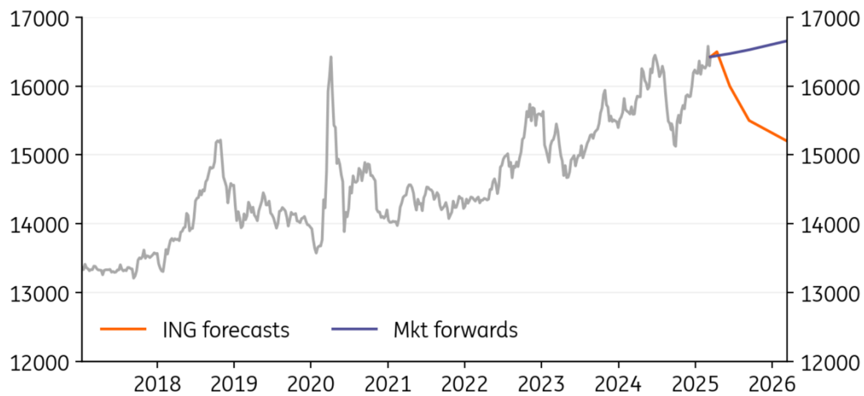


Source: Refinitiv, ING forecasts

USD/IDR: Weaker IDR given higher sensitivity to rate differential

	Spot	One month bias	1M	3M	6M	12M
USD/IDR	16,425.0000	Neutral	16500.00	16000.00	15500.00	15200.00

- IDR performance was the weakest in ASEAN-5 as global risk-off exerted downward pressure on the rate sensitive IDR. The central bank likely intervened both in the spot and NDF markets to contain the volatility.
- Fitch ratings affirmed Indonesia's investment grade credit rating but warned of the fiscal uncertainty that lies ahead, projecting a higher fiscal deficit at 2.5% in 2025 as Prabowo's decision to scrap VAT this year results in a revenue loss of c.0.3% of GDP.
- Return of USD strength in the near term is likely to be the dominant factor impacting IDR in the near term. Although Indonesia is relatively less exposed to US tariff risk, escalation of tariff talks is likely to keep Asian currencies under pressure.

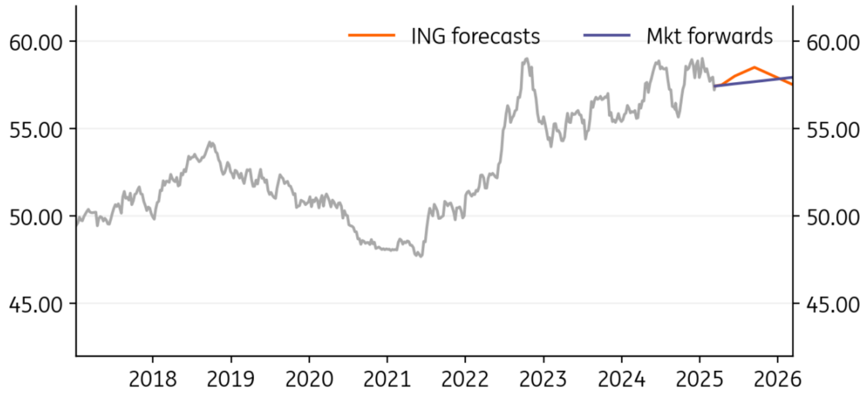


Source: Refinitiv, ING forecasts

USD/PHP: Outperformance is overdone

	Spot	One month bias	1M	3M	6M	12M
USD/PHP	57.4300	Neutral	57.50	58.00	58.50	57.50

- PHP continued to be one of the strong performers in Asia last month, appreciating by 1.2%. However, we expect the currency to turn weaker over our forecast horizon.
- Overall balance of payments has been weakening since October 2024, with a wider current account deficit, weak FDI and personal remittances inflows. The current account deficit widened sharply to 4.5% of GDP in fourth quarter 2024.
- FDI inflows have been weak too. Philippines hasn't benefitted as much from the supply chain diversification and China+1 strategy as much as some of its Asian peers have. This is true especially for the electronics sectors where countries like Vietnam, India and Malaysia have gained global export market share.

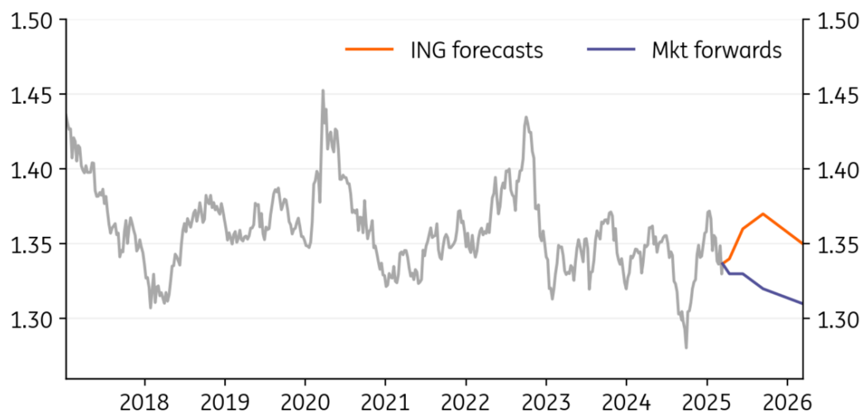


Source: Refinitiv, ING forecasts

USD/SGD: SGD NEER to drift lower on slower growth and inflation

	Spot	One month bias	1M	3M	6M	12M
USD/SGD	1.3368	Mildly Bullish	1.34	1.36	1.37	1.35

- SGD outperformed most of the region ex-JPY and appreciated by 1.6% vs the USD last month given its high correlation with EUR. We continue to expect SGD to depreciate against the USD as Singapore remains highly exposed to weakness in global trade.
- Core inflation in Singapore fell sharply to 0.8% in January, hitting a three-year low, driven by lower prices for services and accommodation. This has increased the probability of further monetary policy easing by the MAS in April with another modest reduction in slope of SGR NEER appreciation.
- We continue to expect the trading range of SGD NEER to drift lower in 2025 driven by slower growth and inflation, and USD/SGD to trade in the 1.35-1.37 range in six months.

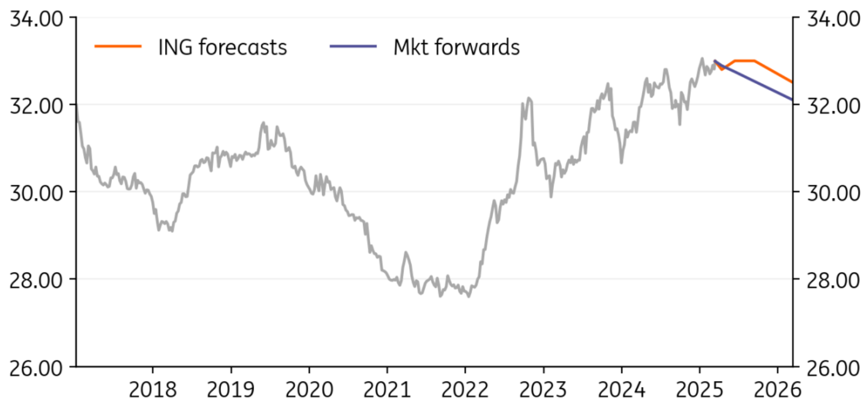


Source: Refinitiv, ING forecasts

USD/TWD: Limited domestic catalysts as CBC looks set to hold

	Spot	One month bias	1M	3M	6M	12M
USD/TWD	32.9900	Mildly Bearish ↘	32.80	33.00	33.00	32.50

- The USD/TWD pair remained stable for another month, remaining within the same range of 32.7-33.1. The TWD has generally tracked closely with the broader USD trend, suggesting limited domestic side catalysts.
- Domestic drivers of the TWD were mixed over the last month. US-Taiwan yield spreads narrowed on the month, but equity market flows showed net outflows over the past month.
- The next CBC meeting is on 20 March, and we expect the bank to stand pat. Language had been leaning hawkish at previous meetings, but the market is still pricing in a cut rather than a hike as the next move, especially as inflation undershot in 2024. The meeting is worth monitoring for surprises in either direction.



Source: Refinitiv, ING forecasts

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