

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

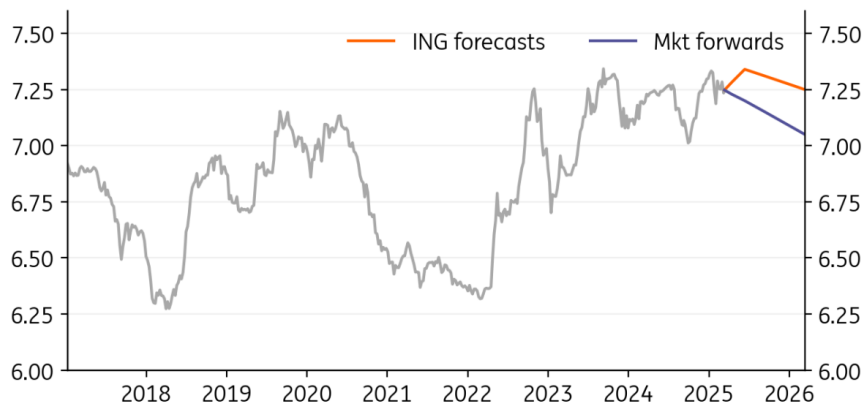
Main ING G10 FX Forecasts

	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.

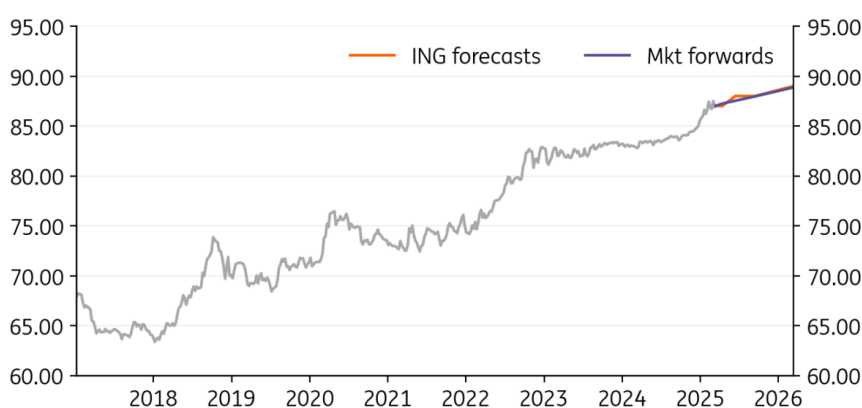


Source: Refinitiv, ING forecasts

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.

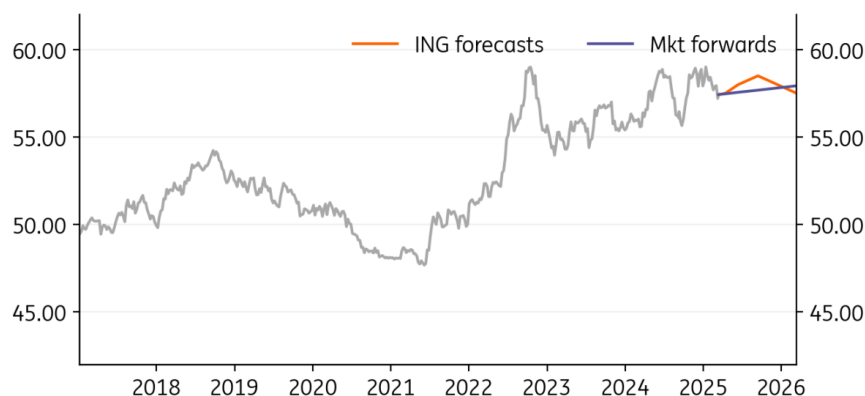


Source: Refinitiv, ING forecasts

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.

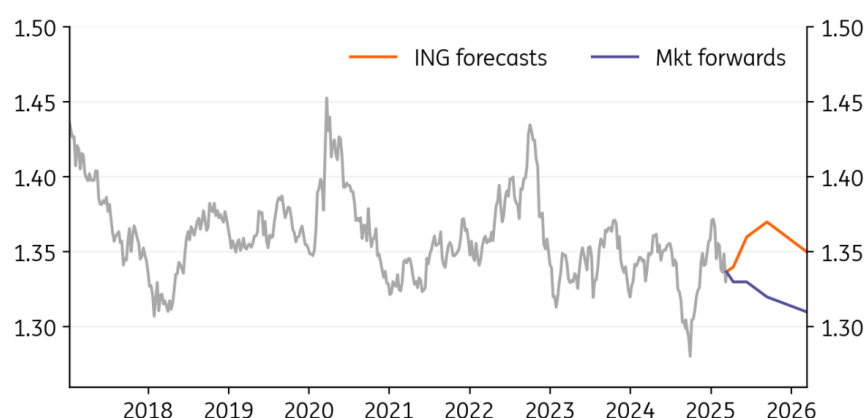


Source: Refinitiv, ING forecasts

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.

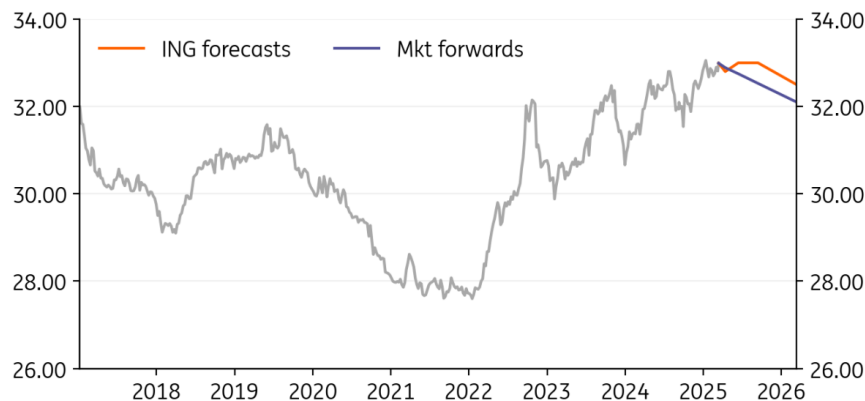


Source: Refinitiv, ING forecasts

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

Author

Lynn Song

Chief Economist, Greater China

lynn.song@asia.ing.com

Min Joo Kang

Senior Economist, South Korea and Japan

min.joo.kang@asia.ing.com

Deepali Bhargava

Regional Head of Research, Asia-Pacific

Deepali.Bhargava@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.