

Asia FX Talking: China continues to hold the FX line

It looks like Chinese authorities will be reluctant to cut interest rates for fear of bringing pressure on the renminbi. And Asian authorities are preparing to join Japan in defending their weak currencies against the strong dollar. Like many authorities around the world, those in Asia are praying for a weaker dollar in the second half



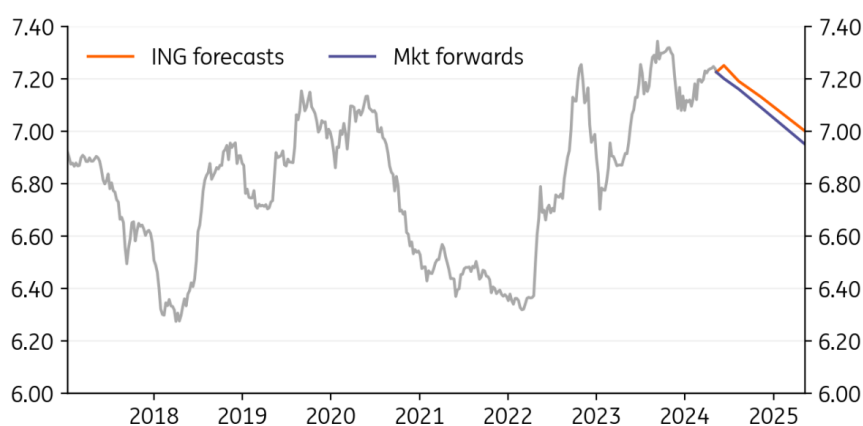
Main ING Asia FX forecasts

	USD/CNY	USD/KRW	USD/INR
1M	7.25 ↑	1340.00 ↓	83.00 ↓
3M	7.19 ↑	1300.00 ↓	83.00 ↓
6M	7.13 ↑	1320.00 ↓	83.00 ↓
12M	7.00 →	1280.00 ↓	82.50 ↓

USD/CNY: Stabilisation priority remains in place

	Spot	One month bias	1M	3M	6M	12M
USD/CNY	7.2249	Neutral	7.25	7.19	7.13	7.00

- USD/CNY traded within a tight band over the past month. Volatility was low before depreciation pressure eased toward the end of April. The yuan may have also benefited from capital inflows during a rebound of equities.
- The People’s Bank of China’s stance on the RMB remains focused on stability, meaning depreciation pressure will be managed.
- Yield spreads will remain the main catalyst for the CNY. A politburo meeting noted that rate cuts were on the table this year, which could worsen the interest rate differential if cuts were made before the Fed makes its move.

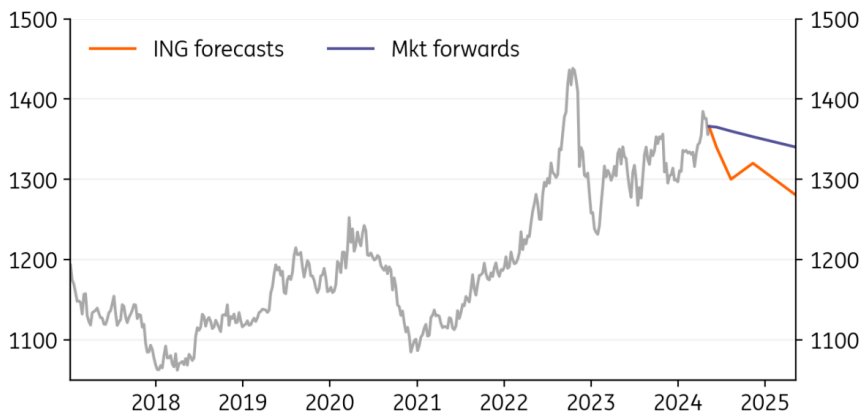


Source: Refinitiv, ING

USD/KRW: KRW eases some pressure towards end of month

	Spot	One month bias	1M	3M	6M	12M
USD/KRW	1,367.1000	Mildly Bearish ▼	1340.00	1300.00	1320.00	1280.00

- The won hit a year-high of 1,400 in April as rate inaction expectations were extended despite a solid recovery of trade.
- 1Q24 GDP (1.3% QoQ) showed the resilience of the economy, while inflation is expected to remain around the 3% level for a considerable time. The Bank of Korea’s first rate cut is unlikely now until 4Q24.
- The end of 2Q24 should show clear signs of KRW appreciation, assuming US data slows down. But rising uncertainty about US politics and government policies will work against the KRW towards the year-end

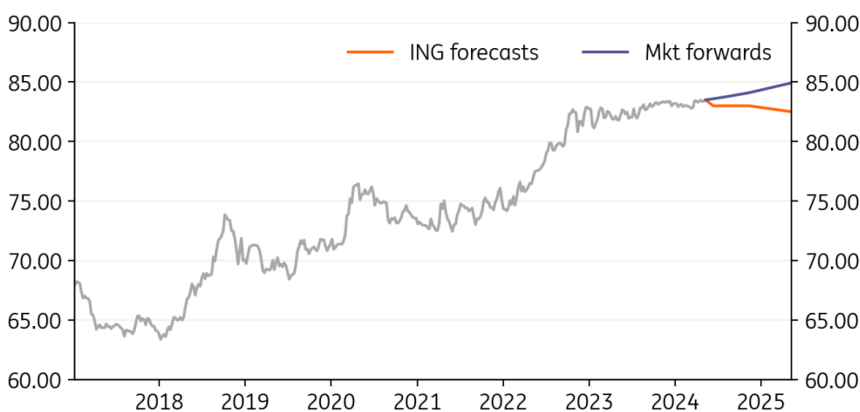


Source: Refinitiv, ING

USD/INR: Slipping from pole position

	Spot	One month bias	1M	3M	6M	12M
USD/INR	83.5200	Mildly Bearish ↘	83.00	83.00	83.00	82.50

- USD/INR is trading up around the 83.5 level, which is higher than it has been for most of the period since October last year, but still only a very slight depreciation compared to other Asian FX.
- In the last 12 months, the rupee has been the best performing currency after the Hong Kong dollar, though it has been a bit softer in the last month, lagging the Malaysian ringgit and Chinese yuan.
- Although there appears to be a little more tolerance for volatility than previously, we still don't see the Reserve Bank of India's control on the INR being loosened appreciably this year.



Source: Refinitiv, ING

USD/IDR: IDR pulls back on tight differential

	Spot	One month bias	1M	3M	6M	12M
USD/IDR	16,045.0000	Neutral	16000.00	15800.00	15600.00	15400.00

- The Indonesian rupiah gapped higher after the long Eid holidays in April, tracking other Asian currencies weaker. There was some support from more positive trade balance data on 22 April.
- Bank Indonesia surprised markets with a 25bp rate hike on 30 April, taking the BI-rate to 6.25%. IDR weakness was cited as a reason for the decision. At the press conference, Governor Perry Warjiyo took on a noticeably more hawkish tone.
- Indonesia's external balance will remain important for the currency while the rate differential with the US remains tight at just 75bp.

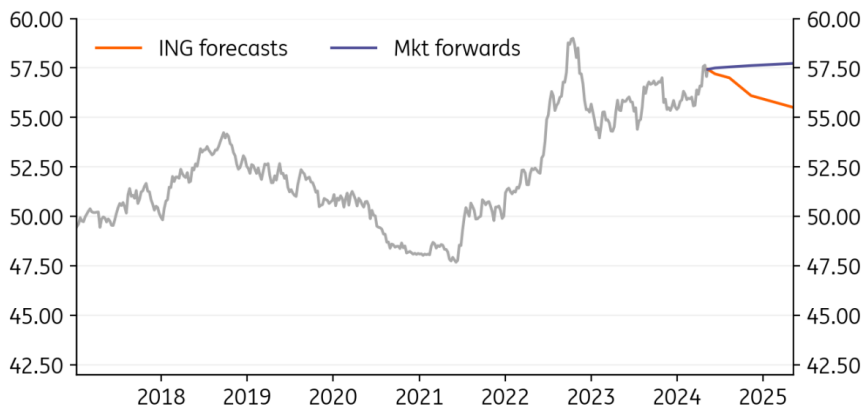


Source: Refinitiv, ING

USD/PHP: PHP weakens as foreigners dump local stocks

	Spot	One month bias	1M	3M	6M	12M
USD/PHP	57.4600	Mildly Bearish ↘	57.20	57.00	56.10	55.50

- The Philippine peso weakened sharply in April as foreign investors dumped local shares on concerns about economic growth and on heightened geopolitical tension.
- This was not helped by remarks from Bangko Sentral ng Pilipinas Governor Eli Remolona, who all but ruled out further rate hikes this year.
- The PHP will continue to be pressured as remittance flows slow during the summer season although a slight improvement in the trade deficit could offset some of this weakness.

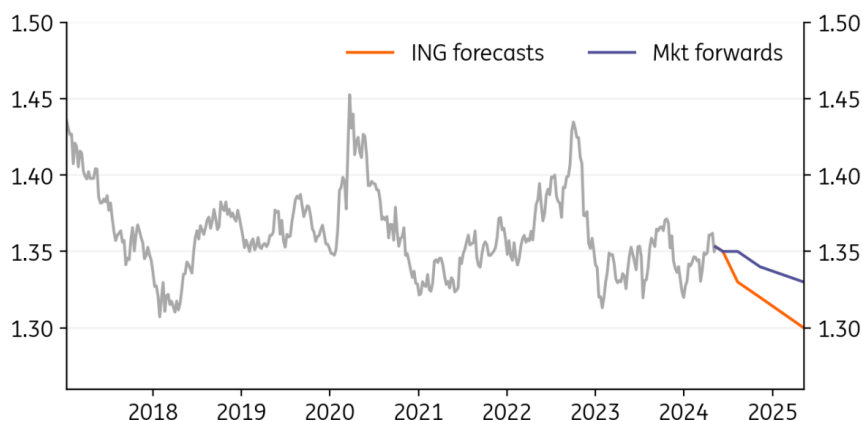


Source: Refinitiv, ING

USD/SGD: SGD slips alongside regional pullback

	Spot	One month bias	1M	3M	6M	12M
USD/SGD	1.3543	Neutral	1.35	1.33	1.32	1.30

- A 20.7% YoY decline for March non-oil domestic exports highlights that the Singapore economy continues to struggle to find momentum and is missing out on the regional pick up in semiconductor demand. 1Q24 GDP came in below expectations at 2.7%, though this was a slight improvement from the previous quarter.
- The Monetary Authority of Singapore maintained all policy settings at its April meeting as inflation remained elevated while economic growth remained tepid.
- Persistent inflation means that MAS policy for modest Singapore dollar NEER appreciation is unlikely to be relaxed any time soon.

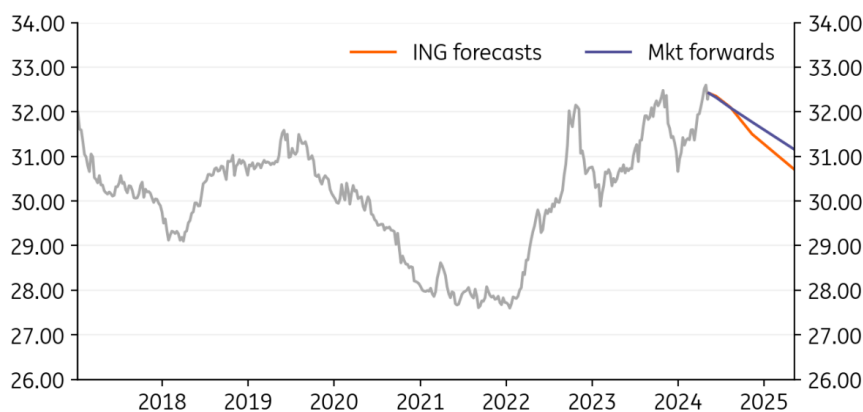


Source: Refinitiv, ING

USD/TWD: Potential for larger rebound if dollar softens

	Spot	One month bias	1M	3M	6M	12M
USD/TWD	32.4300	Neutral	32.35	32.10	31.50	30.70

- The Taiwan dollar underperformed most Asian currencies over the past month, weakening to 32.65 - the weakest level in eight years - before finding some support and recovering to toward 32.4 in early May.
- Capital outflows continued through much of April but recovered in early May and have been one of the factors supporting the TWD. The US-Taiwan interest rate spread narrowed after Taiwan’s rate hike, and the equity market saw a small rally.
- Concerns over geopolitical risk may intermittently add to TWD weakness. Though we would expect the TWD to outperform regional currencies in any dollar-weakening window.



Source: Refinitiv, ING

Authors

Min Joo Kang

Senior Economist, South Korea and Japan

min.joo.kang@asia.ing.com

Robert Carnell

Regional Head of Research, Asia-Pacific

robert.carnell@asia.ing.com

Lynn Song

Chief Economist, Greater China

lynn.song@asia.ing.com

Nicholas Mapa

Senior Economist, Philippines

nicholas.antonio.mapa@asia.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 <http://www.ing.com>.