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FX TALKING CHINA INDIA

Asia FX Talking: Renminbi remains beacon of stability

The CNY's exceptional resilience may well continue, and we now see risks of the lower-bound of our fluctuation band (6.70) being tested. But the rest of Asia is experiencing clusters of currency instability. A widening current account deficit may keep weighing on the underperforming INR, IDR and PHP, and we are also cautious about KRW's rebound potential



High oil prices and now rising Treasury yields pose a test for emerging markets in general, but the Chinese renminbi should remain in demand

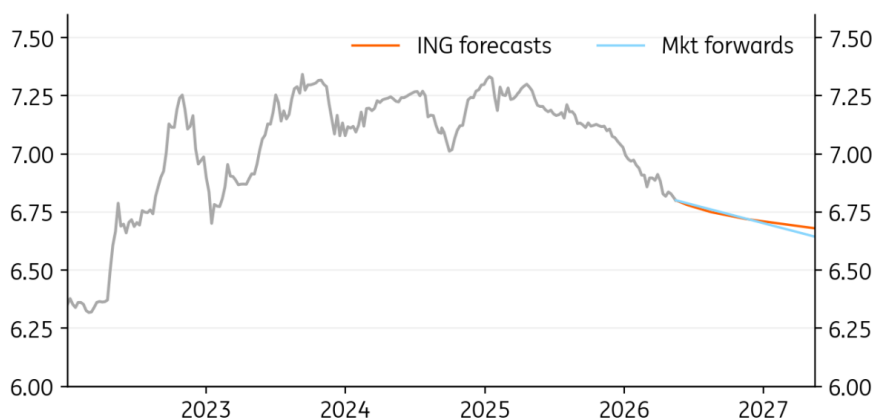
Main ING Asia FX Forecasts

	USD/CNY		USD/KRW		USD/INR	
1M	6.78	↓	1475	↓	95.90	↓
3M	6.75	↓	1450	↓	95.00	↓
6M	6.72	→	1425	↓	94.50	↓
12M	6.68	↑	1425	↓	94.00	↓

USD/CNY: CNY strength breaks another psychological barrier

	Spot	One month bias	1M	3M	6M	12M
USD/CNY	6.8100	Mildly Bearish 	6.78	6.75	6.72	6.68

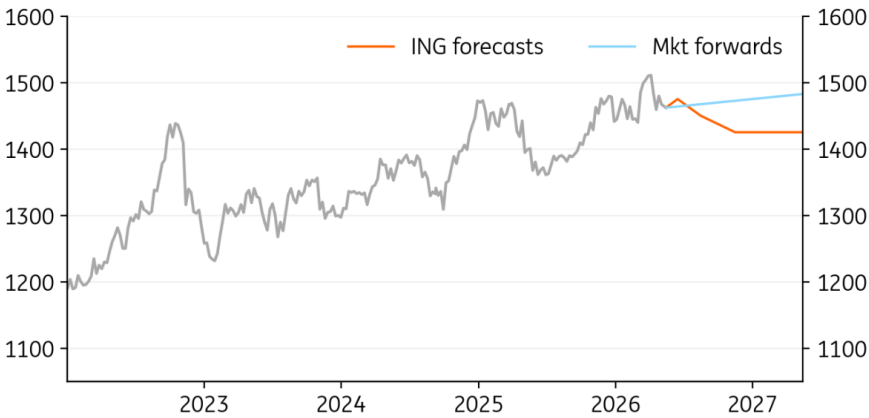
- USD/CNY broke below the psychological 6.80 in May, opening the way to test the lower end of our fluctuation band. We believe the next key level will be 6.70, the lowest level since the People's Bank of China (PBoC) began to emphasise currency stability in 2023.
- Appreciation has continued despite less favourable macro drivers. The PBoC's countercyclical factor moved further negative, implying pushback against appreciation. US-China rate spreads also widened as US yields rose.
- We are holding our 6.70-7.05 fluctuation band forecast, with downside risks. We have pushed back our PBoC rate cut view to 4Q, which can help further CNY strength in the interim.



USD/KRW: Portfolio inflows are limited in the near term

	Spot	One month bias	1M	3M	6M	12M
USD/KRW	1,496.5000	Mildly Bearish ↘	1475.00	1450.00	1425.00	1425.00

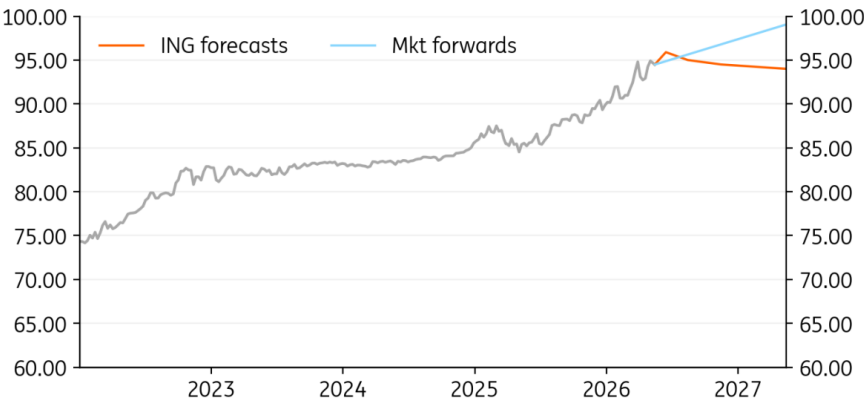
- The Middle East uncertainty has increased volatility while KRW has weakened again mostly due to foreigners' net selling of KOSPI.
- KOSPI gained almost 80% YTD, we expect some institutional investors to continue to rebalance their KOSPI portfolio, which will likely cap KRW appreciation at around 1,450 even if geopolitical tensions ease. Our projected trading range remains between 1,450 and 1,550 in near term.
- The Bank of Korea is expected to raise rates by 50bp in 2H26, possibly beginning as early as July, supported by surprisingly solid growth and mounting inflationary pressures. A narrowing yield gap with the Fed should be favourable to KRW in 2H26.



USD/INR: Weakness in INR likely to persist

	Spot	One month bias	1M	3M	6M	12M
USD/INR	95.9700	Neutral	95.90	95.00	94.50	94.00

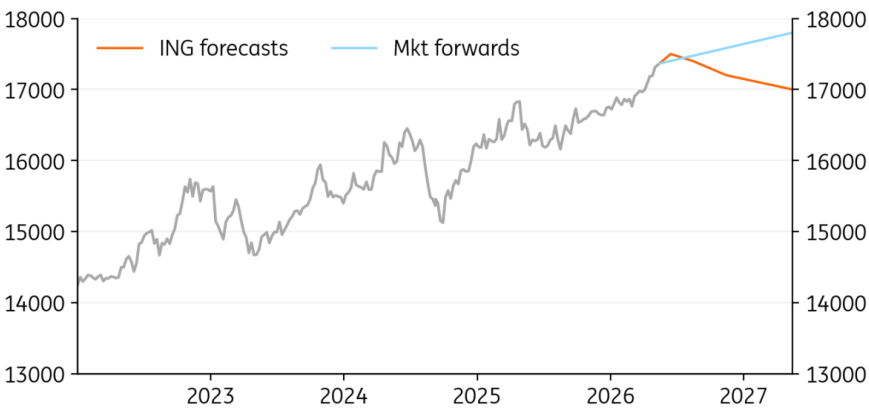
- INR is likely to remain under pressure as India’s external position weakens further due to higher oil imports resulting in a wider current account deficit. FII outflows from the equity markets and weak FDI inflows are unlikely to bridge the deficit.
- Rate hikes aren’t historically used to help the currency and should be delayed as inflationary pressures remain subdued, reflecting the limited pass-through of global oil prices.
- However, policymakers are considering boosting FX inflows, via a possible revival of a 2013-style FCNR(B) deposit scheme - which previously raised around USD25bn. The effectiveness hinges on the rate differential with comparable US instruments.



USD/IDR: Rate hike likely as IDR weakens sharply

	Spot	One month bias	1M	3M	6M	12M
USD/IDR	17,465.0000	Neutral	17500.00	17400.00	17200.00	17000.00

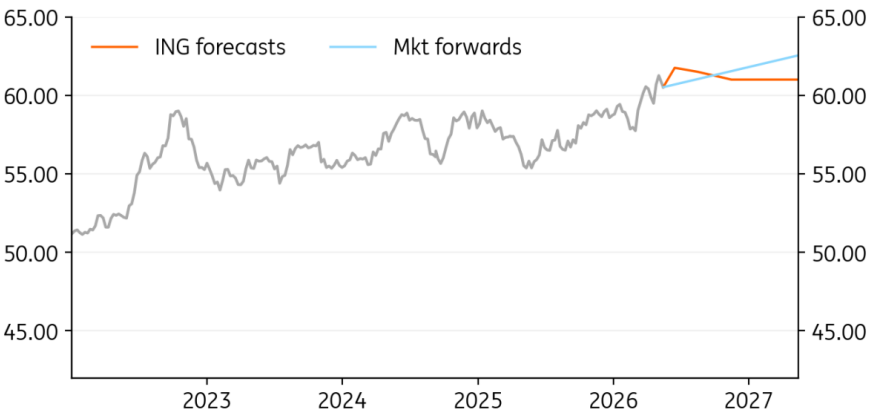
- Foreign demand for Indonesian bonds rebounded in April, with net inflows recovering to USD0.8bn, helped by Bank Indonesia’s liquidity injections and moderate inflation. However, equity outflows remained high at around USD1bn for a second straight month.
- BI has also raised yields on its short-term rupiah bills to attract foreign portfolio flows and help IDR. Outstanding SRBI rose by IDR USD7bn MoM in April - the most since July 2024.
- However, low oil reserves, falling FX reserves, a widening current account deficit, and seasonal dividend outflows are likely to keep the IDR trading on the soft side. We expect a 25bp BI hike this quarter to defend the currency.



USD/PHP: The weakest link in Asia

	Spot	One month bias	1M	3M	6M	12M
USD/PHP	61.6600	Neutral	61.75	61.50	61.00	61.00

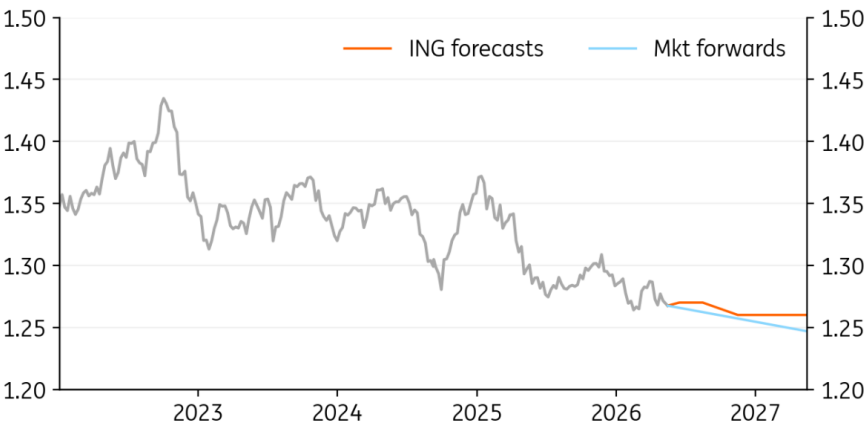
- The latest data points suggest inflation risks are now outweighing growth concerns. In this context, we do not see the weak GDP print deterring Bangko Sentral ng Pilipinas from hiking in June.
- We continue to expect a front-loaded but measured tightening cycle, worth 75bp in 2026. While this could provide some near-term support to the PHP, the currency's trajectory will remain closely tied to oil price dynamics.
- With oil prices projected to average close to USD100/bbl in 3Q, pressures on the current account deficit are likely to persist. Higher political uncertainty with the impeachment of the vice president can further push out reforms and growth recovery.



USD/SGD: Outperformance likely to continue

	Spot	One month bias	1M	3M	6M	12M
USD/SGD	1.2787	Mildly Bearish ↘	1.27	1.27	1.26	1.26

- Growth activity in Singapore’s externally oriented sectors has so far remained broadly resilient. Strong export performance is consistent with the robust momentum in AI-related exports observed in other Asian economies, like Taiwan and Korea.
- We think there is still room to tighten, especially since our forecasts for both CPI inflation and GDP growth sit slightly above the midpoints of the Monetary Authority of Singapore’s target ranges.
- The SGD NEER is trading near the top of its band (about 1.5% above midpoint) and is likely to remain firm. MAS’s focus on limiting volatility, alongside a bias toward further tightening, should continue to support the SGD in the near term.



USD/TWD: Rangebound pattern remains for now

	Spot	One month bias	1M	3M	6M	12M
USD/TWD	31.5100	Mildly Bearish 	31.30	31.20	31.00	30.70

- USD/TWD has continued to trade in a relatively narrow band of 31.3-31.7 over the past month. Policymakers acknowledged FX intervention in April, stating exchange rate stability and inflation management rather than export competitiveness.
- A widening US-Taiwan yield spread has been enough to offset broadly positive TWD domestic factors such as record current account surpluses and strong foreign net buying of equities.
- Moving forward, the rangebound activity may continue, but we hold a slight appreciation bias. The Central Bank of the Republic of China may need to deal with higher inflation in coming months, and we have pencilled in a rate hike in 3Q, which could support the TWD.



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