

## Asia FX Talking: Out of favour - for the time being

Asian currencies continue to be mostly out of favour as concerns over export markets, the strength of the Chinese rebound, and the semiconductor cycle all weigh. We are mostly positive on these currencies in the second half of the year - on the back of the dollar story. Shorter term, these risk-sensitive currencies remain exposed to US financial risks



Source: Shutterstock

### Main ING Asia FX forecasts

	USD/CNY		USD/KRW		USD/INR
1M	6.90	↓	1300.00	↓	82.00 →
3M	6.83	↓	1250.00	↓	81.00 →
6M	6.70	↓	1260.00	↓	80.00 →
12M	6.40	↓	1200.00	↓	82.00 →

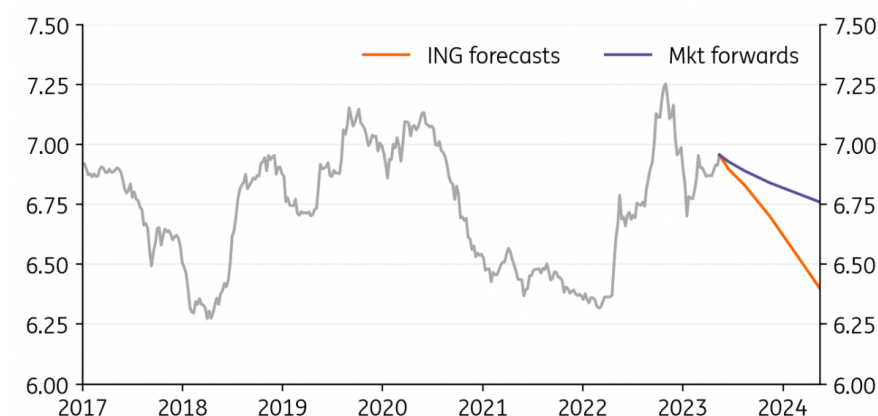
↑ / → / ↓ indicates our forecast for the currency pair is above/in line with/below the corresponding market forward or NDF outright

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

## USD/CNY: Weakening global economy is negative for yuan

	Spot	One month bias	1M	3M	6M	12M
USD/CNY	6.9530	Mildly Bearish ↘	6.90	6.83	6.70	6.40

- The yuan has weakened against the dollar during the month. This is partly on the back of mixed data which shows an ongoing recovery of the domestic economy and a deteriorating export market. Clearly US and eurozone recessions will not help China.
- For the coming months and before the Fed cuts, the yuan should be more affected by the external environment, including a slowing US economy and possible increase in geopolitical tension.
- We expect a turnaround of CNY and stronger trend in 3Q23 when the domestic economy recovery becomes more solid and clearer signs of the dollar bear trend emerge.



Source: Refinitiv, Macrobond, ING

## USD/KRW: Korean won to strengthen despite chip slump

	Spot	One month bias	1M	3M	6M	12M
USD/KRW	1,337.7000	Mildly Bearish ▼	1300.00	1250.00	1260.00	1200.00

- The Korean won was the worst performer among the Asia FX pack in the month of April. But as the current account is expected to return to a surplus after the dividend season, the KRW should head to the 1,300 level in the near term.
- At mid-year, the excessive weakening of the KRW is expected to reverse partially as monetary policy enters a hiatus while the chip inventory adjustment accelerates.
- The Bank of Korea is expected to stand still at the May meeting. If housing market related financial instability emerges, the BoK and government will spare no policy support to avoid a hard landing.

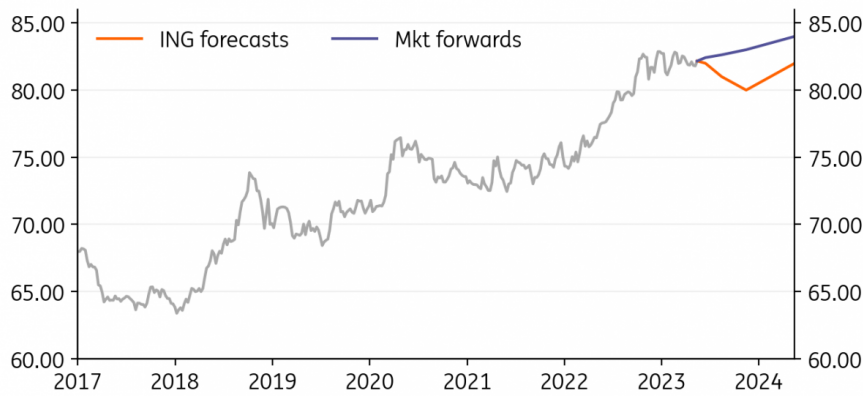


Source: Refinitiv, Macrobond, ING

## USD/INR: Busy going nowhere

	Spot	One month bias	1M	3M	6M	12M
USD/INR	82.2800	Neutral	82.00	81.00	80.00	82.00

- The Indian rupee has gone almost nowhere over the last month, which is not a bad outcome as most of the Asia FX pack has weakened slightly against the USD.
- A much better outlook for inflation is probably providing some near-term support, though at some stage, this is likely to translate into some easier policy rates from the Reserve Bank of India, though probably not until 3Q23.
- One possible fly in the ointment is that Russia no longer seems keen to accept payment for its oil grades in INR, which could imply some increased INR selling pressure in the months ahead.



Source: Refinitiv, Macrobond, ING

## USD/IDR: Rupiah steadies on foreign flows into bond market

	Spot	One month bias	1M	3M	6M	12M
USD/IDR	14,800.000	Mildly Bearish ▼	14650.00	14550.00	14330.00	14400.00
R	0		0	0	0	0

- The Indonesian rupiah strengthened due to renewed flows into the local bond market. Inflation continues to cool, helping boost the attractiveness of local bonds. Robust economic growth prospects also helped attract foreign interest into the local equity market.
- Bank Indonesia (BI) has managed to keep borrowing costs unchanged for the past few meetings. The BI governor also hinted at shifting the focus to bolstering growth momentum further, pointing to potential rate cuts as early as 3Q.
- We expect the IDR to steady on renewed flows into the bond market with inflation projected to fade further.

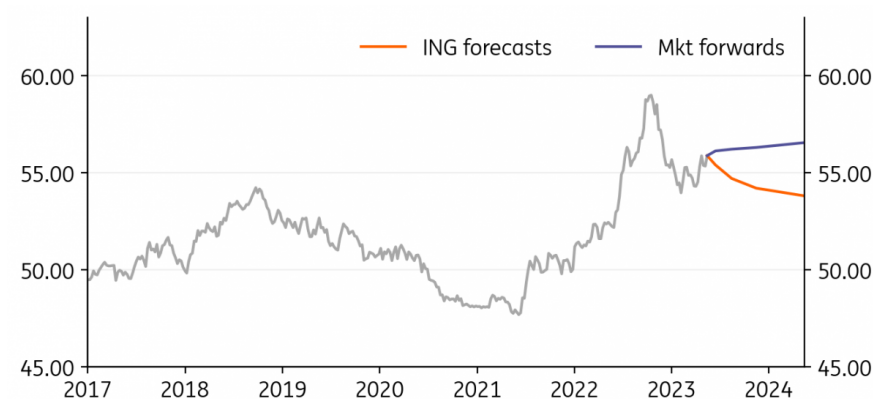


Source: Refinitiv, Macrobond, ING

## USD/PHP: Philippine peso slips on sizable corporate demand

	Spot	One month bias	1M	3M	6M	12M
USD/PHP	56.0490	Bearish ▼	55.40	54.70	54.20	53.80

- The Philippine peso came under pressure in April after corporate demand for the dollar picked up by mid-month. The PHP managed to make up some lost ground thereafter on renewed foreign flows into the local equity market after a relatively positive earnings season.
- Recent comments from Bangko Sentral ng Pilipinas (BSP) Governor Felipe Medalla hinted at a pause at the next meeting. These dovish comments may have also weighed on the PHP as well.
- The PHP will likely lag any regional rally given expectations that the current account balance should stay in deficit due to our forecast for a sizable trade gap for the rest of the year.

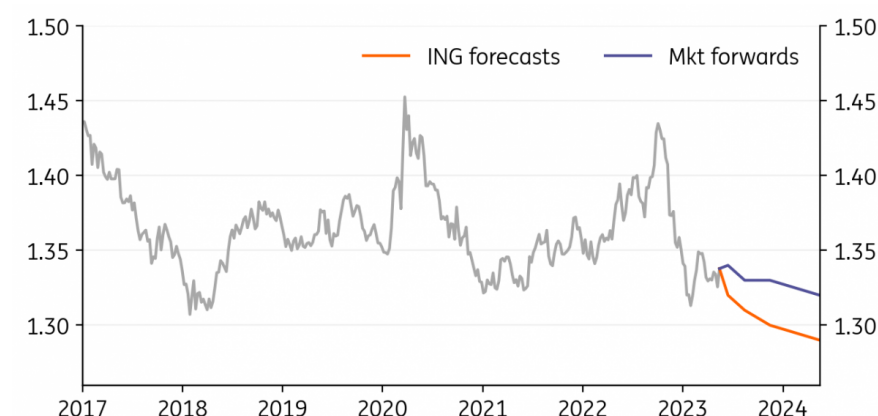


Source: Refinitiv, Macrobond, ING

## USD/SGD: Singapore dollar slips after central bank pause

	Spot	One month bias	1M	3M	6M	12M
USD/SGD	1.3374	Mildly Bearish ▼	1.32	1.31	1.30	1.29

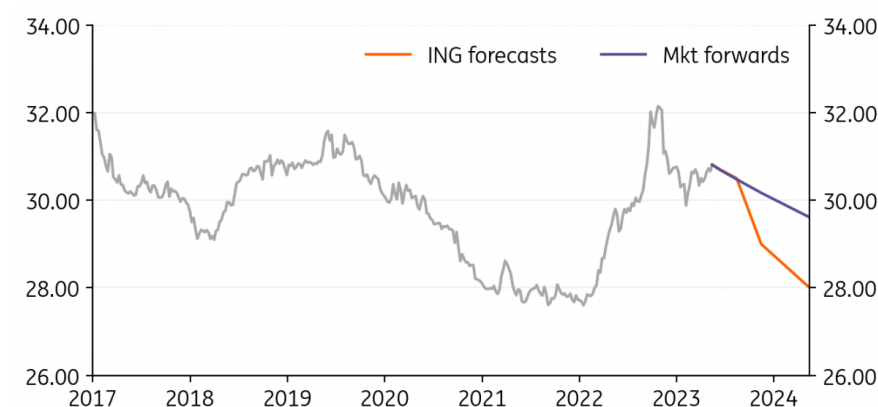
- The Singapore dollar slipped after the Monetary Authority of Singapore (MAS) surprised by retaining monetary policy settings at the latest policy meeting. Most had expected the MAS to tighten further to deal with inflation.
- 1Q GDP came in below expectations due to struggling exports and elevated inflation. Slowing growth momentum may have convinced the MAS to pause despite persistent price pressures. The SGD NEER was still steady over the past month.
- We expect the SGD to move sideways with the MAS attempting to strike a balance between fighting off price pressures and providing support for the struggling export sector.



## USD/TWD: Weak macro data hints at further Taiwan dollar weakness

	Spot	One month bias	1M	3M	6M	12M
USD/TWD	30.8170	Neutral	30.70	30.50	29.00	28.00

- The Taiwan economy fell into recession in 1Q23. Semiconductor manufacturing and exports added to the slowdown of the economy. With global demand for semiconductors slowing, investments in Taiwan will likely shrink in 2Q23. This should give little support to the economy.
- The central bank should pause hiking in 2Q23. We believe that the current policy rate of 1.875% is the terminal rate in this rate hiking cycle.
- Taiwan's dollar could turn stronger in 4Q23 if Mainland China's economic recovery provides more strength to global growth.



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