Asia FX Talking: China will try to hold the line

Many are expecting that Chinese authorities will be forced to accept a weaker renminbi or actively devalue it. We take a different view and think local authorities will seek to keep USD/CNY relatively stable as they continue to position the renminbi as a major reserve currency. Currencies like the Korean won look more vulnerable, in our view

Xi Jinping, President of the People's Republic of China

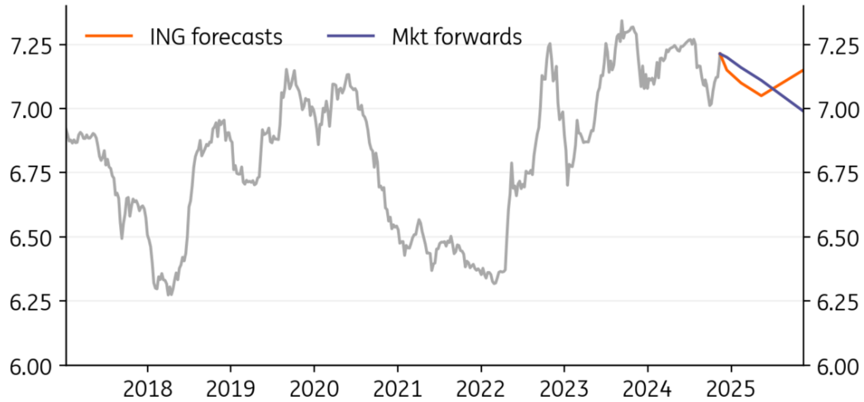
Main ING Asia FX Forecasts

	USD/CNY		USD/KRW		USD/INR	
1M	7.15	↓	1425	↑	84.00	↓
3M	7.10	↓	1400	↑	84.00	↓
6M	7.05	↓	1375	↓	83.50	↓
12M	7.15	↑	1375	↑	84.00	↓

USD/CNY: Key catalysts pushed CNY weaker

	Spot	One month bias	1M	3M	6M	12M
USD/CNY	7.2135	Neutral	7.15	7.10	7.05	7.15

- In the aftermath of Trump's election victory and the NPC meeting, the CNY moved weaker from 7.10 to 7.18. The CNY will likely be dragged along by broader dollar trends but should remain a low volatility currency versus other Asian FX.
- The PBoC is unlikely to abandon its currency management strategy. Policymakers will resist excessive depreciation (past 7.35) and rapid movements in either direction, and we do not see intentional devaluation as a response to tariffs.
- US-China short-term yield spreads should still move more in favour of CNY recovery, though likely by less with a more hawkish Fed expected. The timing of US tariffs may also be a catalyst; our team noted this may not come until late 2025 or 2026 amid a domestic focus to start.

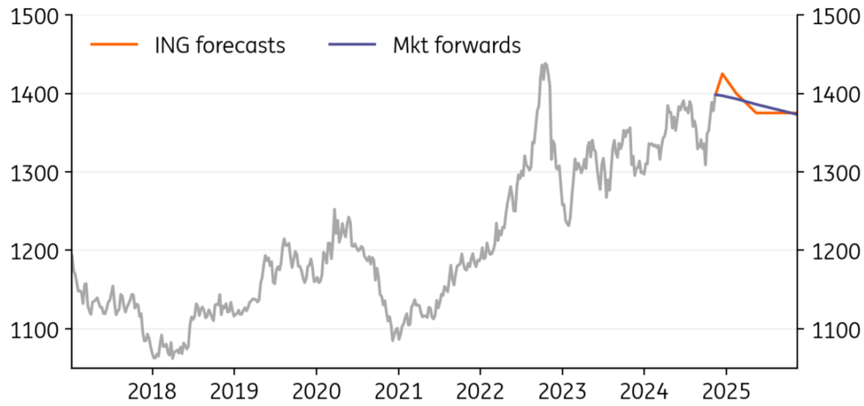


Source: Refinitiv, ING forecasts

USD/KRW: KRW is likely to strengthen, but with greater volatility

	Spot	One month bias	1M	3M	6M	12M
USD/KRW	1,398.1000	Bullish	1425.00	1400.00	1375.00	1375.00

- The KRW depreciated by 2.8% against USD over the past month, one of the worst performers in Asia. The KRW once broke the critical 1,400 level right after Trump's clean sweep victory.
- The BoK is likely to extend its pause going into 2025, as it may be concerned about the widening gap in growth and inflation between the US and Korea.
- Korea's exports to the US have seen the biggest growth in the past two years, but this could backfire by triggering tougher trade rules on Korean exporters. We expect USD/KRW to range bound between 1,350-1,400 for a considerable time.

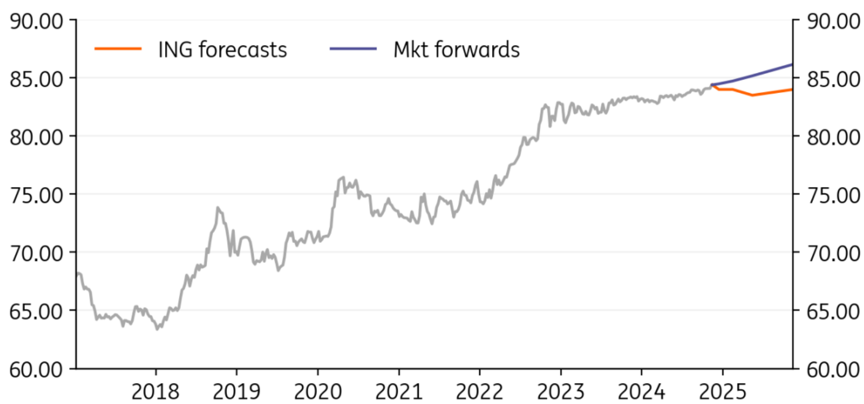


Source: Refinitiv, ING forecasts

USD/INR: INR should be relatively less impacted by US tariffs

	Spot	One month bias	1M	3M	6M	12M
USD/INR	84.3900	Neutral	84.00	84.00	83.50	84.00

- INR traded in a narrow range last month but outperformed in the post-election weakness seen in Asian currencies. Trump re-election is overall good news for the INR as India is relatively much less exposed to the US for final demand of its exports; in turns, the uncertainty of tariff escalation isn't quite as significant.
- However, a stronger USD could add further pressure to FII equity outflows from India witnessed even before the elections. Stronger-than-expected CPI inflation print for September should delay rate cuts to 1Q25, in line with our long-held view.
- On balance, the RBI will likely continue to intervene to smoothen currency volatility given ample FX reserves. Any developments on the US monitoring list of currency manipulators watch list, where India featured in the past, will be important to monitor.

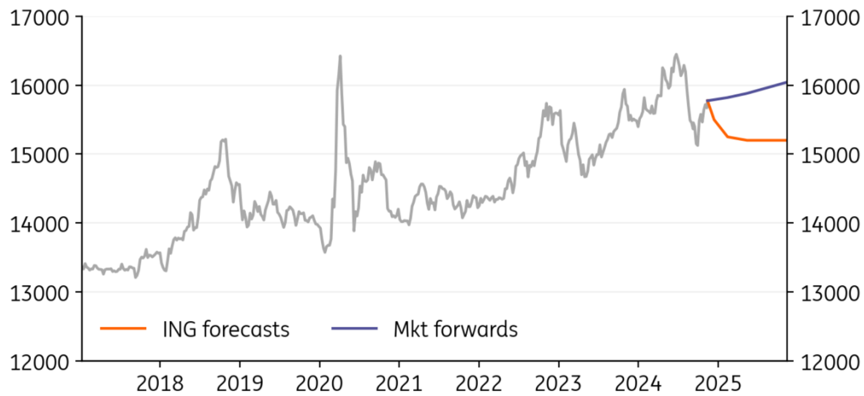


Source: Refinitiv, ING forecasts

USD/IDR: Improving local dynamics are positive for IDR

	Spot	One month bias	1M	3M	6M	12M
USD/IDR	15,775.0000	Neutral	15500.00	15250.00	15200.00	15200.00

- The IDR-USD yield spread is at the lowest in a decade and our new Fed rate profile, following US presidential elections, suggests the spread could narrow further. This could add downside pressure on IDR that BI has already been vocal about while assuring the markets that it will act to stabilise excessive volatility.
- However, Indonesia's exports to the US are small as a share of Indonesia's GDP, and the direct impact of higher tariffs is therefore likely to be relatively less.
- Moreover, the reappointment of the incumbent finance minister Sri Mulyani should also help contain concerns around fiscal slippage and likely mean that the fiscal deficit cap of 3% is retained. Lower dependence on foreign investors for fiscal deficit funding should overall be a positive for IDR.

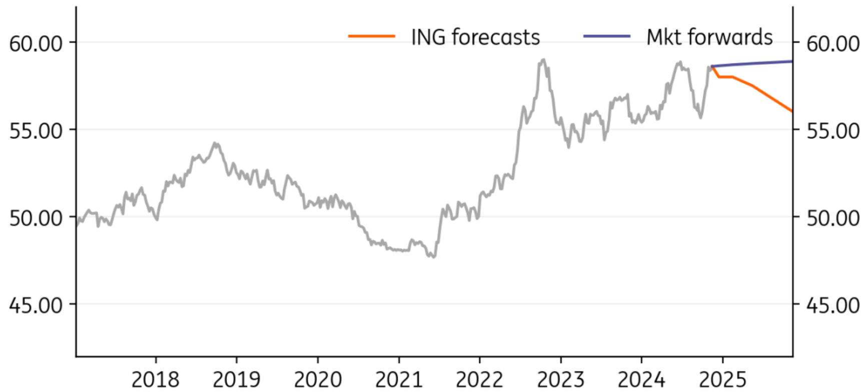


Source: Refinitiv, ING forecasts

USD/PHP: Upside beyond 59.0 should be limited

	Spot	One month bias	1M	3M	6M	12M
USD/PHP	58.6000	Neutral	58.00	58.00	57.50	56.00

- PHP was one of the worst performers in Asia last month, with rate cut expectations by BSP next month adding fuel to the fire.
- A move to 59 looks likely, however further downside in the near-term should be limited for the following reasons: 1) PHP has historically been vulnerable to inflation risk. With Brent oil price settling in the mid-70s and rice prices correcting noticeably, the trade deficit is likely to remain contained, 2) BSP's historical preference of defending the 59 level, 3) relatively low sensitivity to CNY weakness.
- Our new Fed rate cut profile implies rate policy differentials of 100bp vs BSP rate by 2Q25, which is at par with the historical 100bp preferred by the BSP. We therefore continue to expect BSP to cut rates by 25bps in December, driven by softer growth momentum as reflected in the 3Q GDP growth reading.

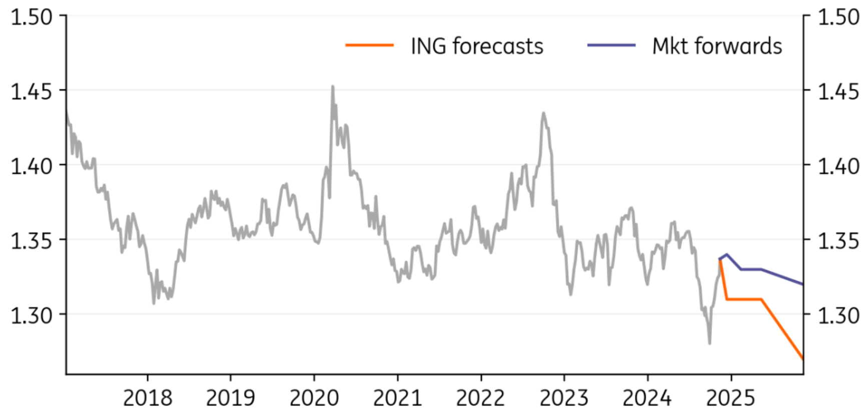


Source: Refinitiv, ING forecasts

USD/SGD: MAS could follow regional peers later in the year

	Spot	One month bias	1M	3M	6M	12M
USD/SGD	1.3369	Neutral	1.31	1.31	1.31	1.27

- As you might expect, the SGD has been an upper mid-table performer in the Asian FX league in the month-to-date.
- Not a great deal has changed for the Singapore macroeconomy in recent weeks. The activity data remains a bit soft, and inflation has inched slightly lower, but remains around 3% YoY on a core basis, even if the headline has dropped to 2.4%.
- The latest MAS meeting left all parameters of the SGD NEER target unchanged, but there is a chance that we could see some shift in October, especially if other regional central banks are beginning to trim.

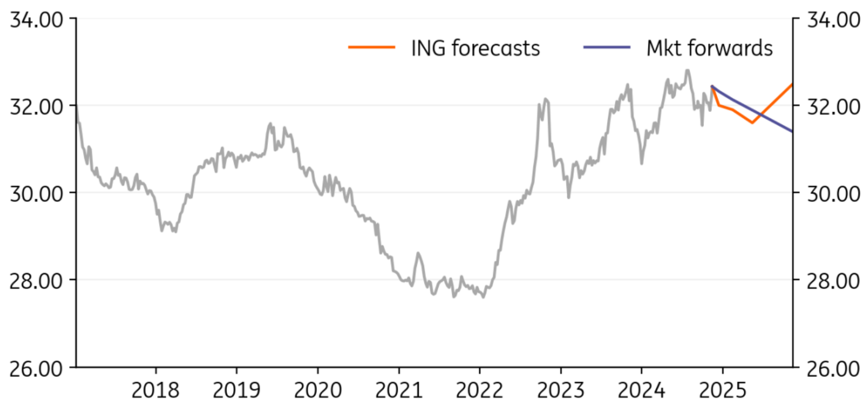


Source: Refinitiv, ING forecasts

USD/TWD: Equity market inflows offset wider yield spreads

	Spot	One month bias	1M	3M	6M	12M
USD/TWD	32.4200	Neutral	32.00	31.90	31.60	32.50

- The TWD mostly fluctuated within a narrow band of 32.0-32.2 over the past month, generally a little weaker than the month prior.
- Drivers of the TWD were mixed over the past month. On one hand, the upward move in US yields caused spreads to widen in favour of the USD. However, this was offset by a return of equity market inflows, snapping a three-month streak of outflows.
- Possible catalysts moving forward may depend on Taiwan's export trajectory, largely tied to the health of the semiconductor industry, and potential CBC rate cuts in 2025. Trump's win does add some geopolitical uncertainty as well.



Source: Refinitiv, ING forecasts

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