

Asia FX Talking: China will be praying for a weaker dollar

We expect Chinese authorities to continue to try riding out the dollar storm with further measures to support the renminbi near 7.30/USD. These include strong daily fixings and funding squeezes in the CNH market. As a bloc, Asia FX remains fragile, although increased interest in India and central bank support should limit Indian rupee losses



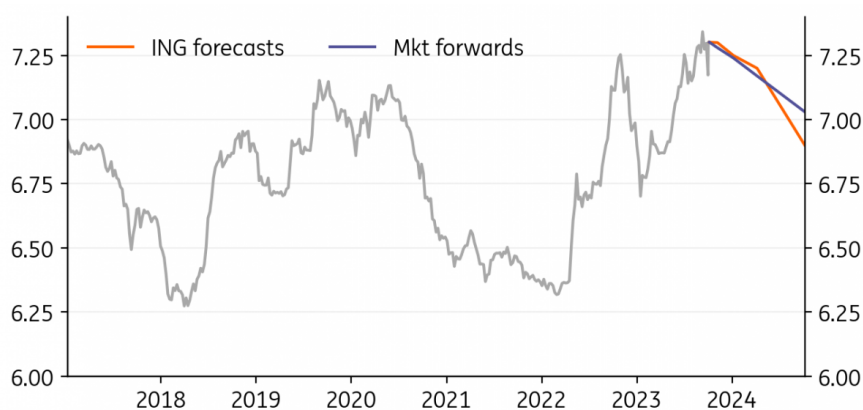
Main ING Asia FX forecasts

	USD/CNY	USD/KRW	USD/INR
1M	7.30 ↑	1370 ↑	83.00 ↓
3M	7.25 ↑	1350 ↑	82.50 ↓
6M	7.20 ↑	1280 ↓	81.50 ↓
12M	6.90 ↓	1250 ↓	81.00 ↓

USD/CNY: Nothing new from the PBoC

	Spot	One month bias	1M	3M	6M	12M
USD/CNY	7.3015	Neutral	7.30	7.25	7.20	6.90

- The CNY is still being held at 7.30, in the face of considerable pressure from the market for some further depreciation.
- The PBoC continues to use the daily reference rate fixing as its major policy instrument to anchor the currency and is bolstering this with allowing short-term funding rates to increase, making it harder to borrow CNY to sell for foreign exchange. Occasional bouts of verbal intervention and warnings to banks add to the policy mix.
- While this is working for now, it feels as if the only thing that will remove pressure on the CNY is a broad-based USD turn.



USD/KRW: KRW weakens with widening yield gap

	Spot	One month bias	1M	3M	6M	12M
USD/KRW	1,348.4000	Mildly Bullish ↗	1370.00	1350.00	1280.00	1250.00

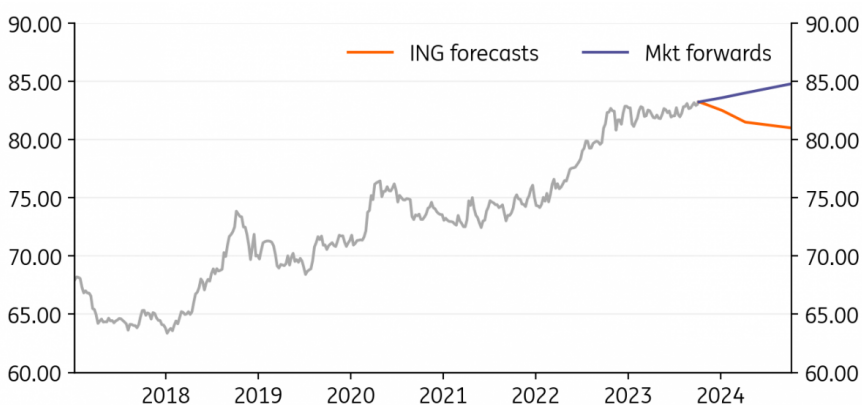
- The USDKRW briefly hit the year's high of 1,363 on 4 October, responding to higher US rates. Better than expected IP and exports results weren't able to support the KRW.
- Inflation accelerated to 3.7% YoY in September and looks set to stay high for a while. The BoK will reinforce its hawkish tone, but additional rate hikes are unlikely amid growing concerns over weak growth and financial stress on businesses and households.
- The KRW is expected to remain weak with high volatility as risk-off sentiment will likely trigger a sell off of KRW denominated assets especially in a thin year-end market trading environment.



USD/INR: RBI maintaining stability at 83

	Spot	One month bias	1M	3M	6M	12M
USD/INR	83.2400	Mildly Bearish ▼	83.00	82.50	81.50	81.00

- The RBI has continued to maintain the INR at about 83 to the USD, though against relentless USD pressure, there is a bit of upwards drift appearing now, and there may be a chance of an upside break if the USD does not turn before too long.
- The two main drivers for the INR, the policy rate differential and inflation differentials have not changed substantially, though Indian inflation is now headed lower in contrast to US headline inflation, and so that may help support the INR near term.
- Despite a full 100bp spread over US policy rates, we don't expect the RBI to embark on any easing until 2024.



USD/IDR: IDR under pressure as BI keeps rates unchanged

	Spot	One month bias	1M	3M	6M	12M
USD/IDR	15,620.0000	Neutral	15600.00	15500.00	15100.00	15000.00

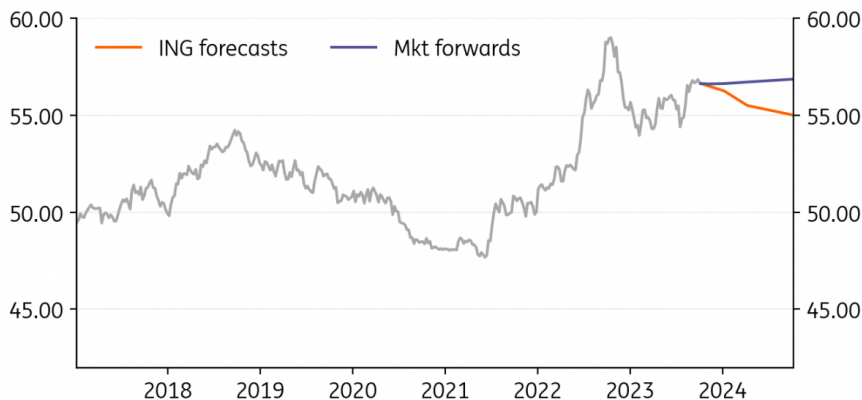
- The IDR slid in September, with the trade surplus narrowing to \$3.1bn after exports dropped 21.2% YoY in August.
- Bank Indonesia (BI) kept policy rates unchanged again (at 5.75%) despite the modest interest rate differential with the US. BI opted to rely on its new bond issuance, called the SRBI, to attract foreign inflows and support the IDR.
- The IDR will likely remain under pressure in the near term with BI preferring to keep rates untouched while banking on the SRBI bond issuance to provide support for the IDR.



USD/PHP: PHP moves sideways on hawkish BSP speak

	Spot	One month bias	1M	3M	6M	12M
USD/PHP	56.6300	Mildly Bearish 📉	56.50	56.25	55.50	55.00

- The PHP remained on the back foot throughout most of the month. The trade deficit remains wide at roughly \$4.2bn after exports unexpectedly slid 1.2% YoY.
- The PHP managed to steady in the third week after hawkish comments from Bangko Sentral ng Pilipinas (BSP) Governor Remolona. Remolona hinted at hiking rates further to combat inflation with an off-cycle rate hike on the table.
- The PHP looks set to move sideways, with expectations of a BSP rate hike on the rise after an upside surprise to inflation.



USD/SGD: SGD tracks slide by regional peers

	Spot	One month bias	1M	3M	6M	12M
USD/SGD	1.3679	Neutral	1.36	1.36	1.35	1.34

- The SGD slid against the USD for the month of September due to anxiety over the outlook for Fed policy weighing on the currencies of its major trading partners (CNY hit 7.343 during the month).
- Disappointing output data alongside still elevated inflation suggests the Monetary Authority of Singapore (MAS) will keep policy settings untouched in October, to balance supporting growth and dealing with inflation.
- The SGD NEER should continue its modest appreciation path to close out the year. Sustained pressure on CNY may weigh on the USDSGD in the near term.



USD/TWD: Softer equity environment weighs on TWD

	Spot	One month bias	1M	3M	6M	12M
USD/TWD	32.1800	Neutral	32.20	32.15	32.00	31.15

- In addition to the strong USD story, the TWD also has to contend with a negative stock market backdrop. The TAIEX exchange is down in recent months, though still up nearly 17% year-to-date.
- Some further indications that the semiconductor cycle is troughing could limit the downside, though market sentiment seems to be slowly worsening in response to the US rate environment and could prevent a more meaningful appreciation.
- Year-end jitters relating to the January Presidential election are also a growing possibility



Authors

Robert Carnell

Regional Head of Research, Asia-Pacific

robert.carnell@asia.ing.com

Min Joo Kang

Senior Economist, South Korea and Japan

min.joo.kang@asia.ing.com

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