

# Asia FX Talking: China stimulus yet to prove a game-changer

Recently announced monetary and fiscal stimulus out of China has yet to prove a game-changer for Asian regional currencies. We remain mildly bullish on the region on the back of lower US rates. Yet the threat of renewed protectionism from any new Trump administration will keep investors on hold until November



## Main ING Asia FX Forecasts

|     | USD/CNY | USD/KRW | USD/INR |
|-----|---------|---------|---------|
| 1M  | 7.10 ↑  | 1350 ↑  | 84.00 ↓ |
| 3M  | 7.10 ↑  | 1320 ↓  | 84.00 ↓ |
| 6M  | 7.05 ↑  | 1300 ↓  | 84.00 ↓ |
| 12M | 7.02 ↑  | 1300 ↓  | 84.00 ↓ |

## USD/CNY: Stimulus moves send yuan stronger with uncertainty ahead

|         | Spot   | One month bias   | 1M   | 3M   | 6M   | 12M  |
|---------|--------|------------------|------|------|------|------|
| USD/CNY | 7.0634 | Mildly Bullish ↗ | 7.10 | 7.10 | 7.05 | 7.02 |

- The Chinese yuan strengthened over the past month as policymakers ramped up stimulus support, at one point nearing 7.00, the lower bound of our expected fluctuation band.
- Capital inflows following stimulus sent the CNY stronger despite a 20bp cut to the 7-day reverse repo rate. The next steps are uncertain and will depend on the speed and strength of the fiscal stimulus follow-up. External catalysts from the US election and Fed also add to near-term uncertainty.
- Yield spreads will move more in favour of the CNY once the Fed cuts get underway and supports a medium-term strengthening trajectory. The People's Bank of China fixing continues to resist rapid movements in either direction, keeping the CNY as a low volatility currency.



Source: Refinitiv, ING forecasts

## USD/KRW: Won is likely to remain volatile in the short-term

|         | Spot       | One month bias | 1M      | 3M      | 6M      | 12M     |
|---------|------------|----------------|---------|---------|---------|---------|
| USD/KRW | 1,350.9000 | Neutral        | 1350.00 | 1320.00 | 1300.00 | 1300.00 |

- The Korean Treasury Bond will join the FTSE's WGBI from November 2025. The news itself won't provide much support for the Korean won for now, but it is expected to lead to a bond rally and a strengthening of the KRW in the medium-term. Reports suggest index inclusion will start in late 2025.
- The Bank of Korea delivered its first rate cut in October, and will continue to ease but at a much slower pace than the Fed.
- Uncertainty over the Middle East conflict and the US economy will keep the KRW in a range of 1,340-1,370 in the near term.

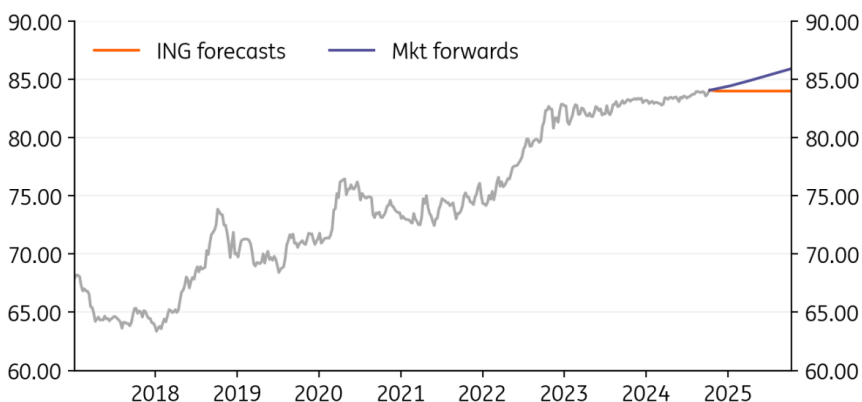


Source: Refinitiv, ING forecasts

### USD/INR: RBI taking its time to start easing

|         | Spot    | One month bias | 1M    | 3M    | 6M    | 12M   |
|---------|---------|----------------|-------|-------|-------|-------|
| USD/INR | 84.0800 | Neutral        | 84.00 | 84.00 | 84.00 | 84.00 |

- The Indian rupee benefited briefly from the Fed’s easing in September, but quickly resumed its tight “fix” at just under 84 as aggressive US easing bets were unwound.
- The Reserve Bank of India has yet to ease policy, and this month, rising inflation may make that trickier. However, some easing before the year-end remains probable as inflation spikes will likely be short-lived.
- We can see no end in sight to the RBI’s ongoing currency stabilisation policy. Looked at in terms of the real effective exchange rate, the INR only looks slightly more expensive than some of its APAC peers.



Source: Refinitiv, ING forecasts

## USD/IDR: Not a good month for the rupiah

|         | Spot        | One month bias | 1M       | 3M       | 6M       | 12M      |
|---------|-------------|----------------|----------|----------|----------|----------|
| USD/IDR | 15,578.0000 | Neutral        | 15500.00 | 15250.00 | 15000.00 | 15250.00 |

- It has not been a good month for Indonesia’s rupiah. After recent IDR strength, Bank Indonesia took advantage of low inflation to start trimming rates and cut the policy rate by 25bp on 18 September to 6.0%.
- This has also coincided with a re-think on US rate cut aggression and some USD recovery, and as a result, the IDR has found itself trailing its regional peers over the last 30 days.
- We expect further easing over the coming quarters from BI, but the pace and extent of this may be tempered by occasional bouts of IDR weakness. Market concern over Indonesia’s budget and spending plans may provide further volatility.

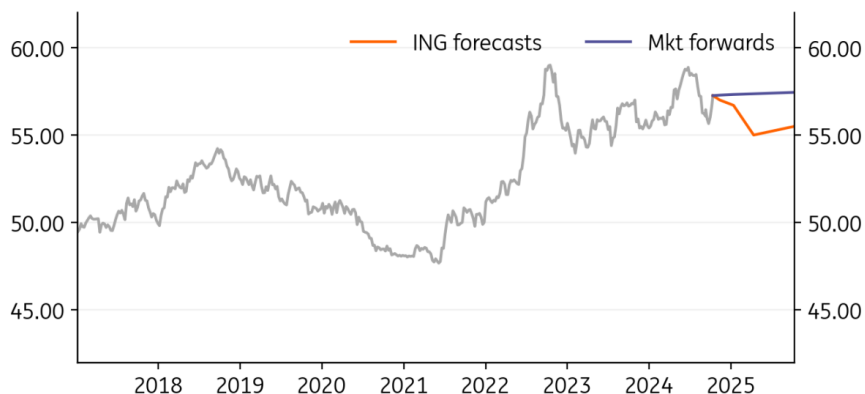


Source: Refinitiv, ING forecasts

## USD/PHP: BSP to ease despite peso weakness

|         | Spot    | One month bias   | 1M    | 3M    | 6M    | 12M   |
|---------|---------|------------------|-------|-------|-------|-------|
| USD/PHP | 57.2600 | Mildly Bearish ↘ | 57.00 | 56.70 | 55.00 | 55.50 |

- The Philippine peso is about 1.4% weaker against the US dollar over the last month, which puts it towards the bottom of the APAC performance league alongside the IDR.
- The macro growth backdrop has been indifferent. Export growth is very soft, and the trade deficit is only managing to stay steady thanks to weak imports. But the inflation story is looking much better. The latest inflation rate is 1.9%.
- The central bank cut rates by 25bp back in August, front-running the Fed. And despite the PHP’s recent weakness, it is forecast to cut again in October by 25bp, matching the Fed’s easing overall so far.

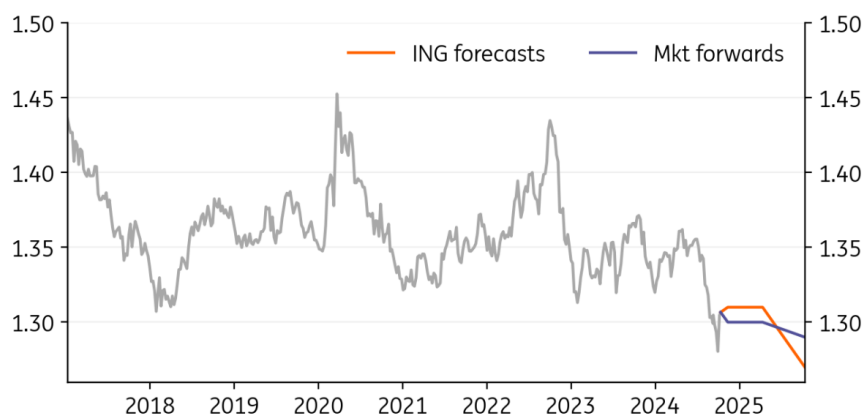


Source: Refinitiv, ING forecasts

### USD/SGD: Central bank could flatten SGD NEER path further

|         | Spot   | One month bias | 1M   | 3M   | 6M   | 12M  |
|---------|--------|----------------|------|------|------|------|
| USD/SGD | 1.3067 | Neutral        | 1.31 | 1.31 | 1.31 | 1.27 |

- USD/SGD got as low as 1.2789 in late September but has bounced back above 1.30 since then.
- We believe the Monetary Authority of Singapore will flatten the Singapore dollar's NEER appreciation path at its October meeting as inflation has moderated. Short-term interest rates, which show the direction in which the MAS has been leaning, have dropped by about 75bp since the middle of the year.
- A flatter SGD NEER path should still see USD/SGD moving lower over the coming 12 months as regional trading peers are also likely to appreciate.

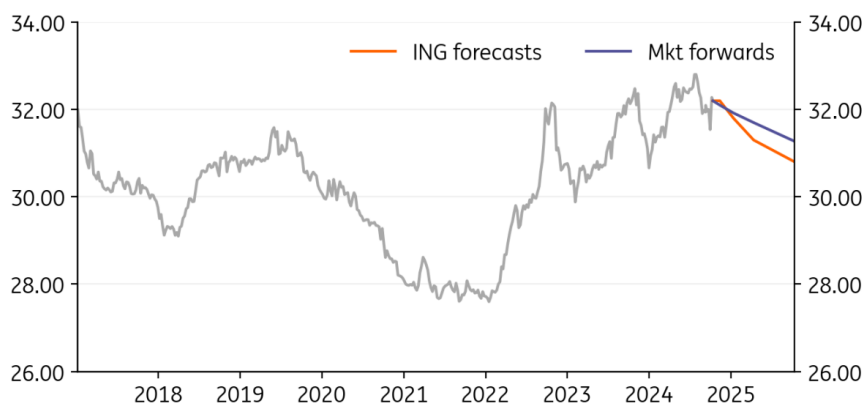


Source: Refinitiv, ING forecasts

## USD/TWD: Equity market outflows remained a headwind

|         | Spot    | One month bias | 1M    | 3M    | 6M    | 12M   |
|---------|---------|----------------|-------|-------|-------|-------|
| USD/TWD | 32.3000 | Neutral        | 32.20 | 31.80 | 31.30 | 30.80 |

- The Taiwan dollar has fluctuated within a tight range over the past month, with the USD/TWD pair at one point hitting a low of 31.6 before rebounding to around 32.2.
- Yield spreads drove most of that action, with the TWD's strongest days coinciding with the narrowest yield spread. Another factor was equity market outflows, which continued to suppress the TWD.
- In the near term, the US elections and the risk of a tech sector pullback are also factors which could drag down the TWD relative to other Asian currencies. If these uncertainties are resolved, the TWD has room to see a bounce later.



Source: Refinitiv, ING forecasts

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