Asia FX Talking: Regional diversity

The Asian FX picture remains mixed. Chinese authorities seem to be leaning toward some renminbi strength, but it is far from clear whether they are looking for a quick move in USD/CNY to 7.00. The Korean won continues to trade in exceptionally tight ranges, while the Indian rupee and Indonesian rupiah look vulnerable

Shanghai, China. The low volatility renminbi rally has temporarily stalled

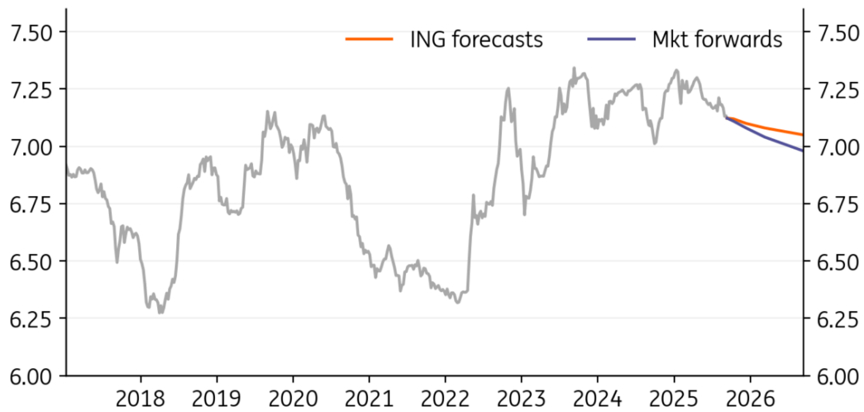
Main ING Asia FX Forecasts

	USD/CNY		USD/KRW		USD/INR	
1M	7.12	↑	1400	↑	88.50	↑
3M	7.10	↑	1350	↓	88.00	↓
6M	7.08	↑	1350	↓	87.50	↑
12M	7.05	↑	1325	↓	87.50	↑

USD/CNY: CNY continued to strengthen amid inflows

	Spot	One month bias	1M	3M	6M	12M
USD/CNY	7.12	Neutral	7.12	7.10	7.08	7.05

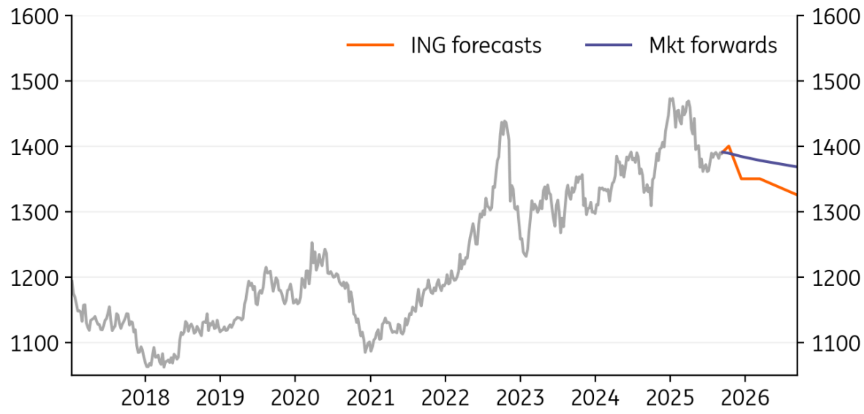
- The Chinese yuan strengthened against the dollar over the past month, reaching 7.12 after spending a few months around 7.15-7.20.
- The People's Bank of China's fixings continue to suggest a tolerance for a stronger CNY, but this could be put to the test if the currency moves to 7.10. Capital inflows accelerated amid the stock market rally, and US-China yield spreads further narrowed amid more dovish Fed expectations, supporting CNY strength.
- The CNY remains one of the lowest volatility currencies against the dollar this year. Our 2025 call for a 7.00-7.40 fluctuation band has held up well and may narrow further to 7.00-7.25 for the rest of the year. Moving forward, we expect the CNY to enter a gradual appreciation trend as yield spreads narrow further.



USD/KRW: KRW appreciation likely to be delayed until year-end

	Spot	One month bias	1M	3M	6M	12M
USD/KRW	1,390.0000	Mildly Bullish	1400.00	1350.00	1350.00	1325.00

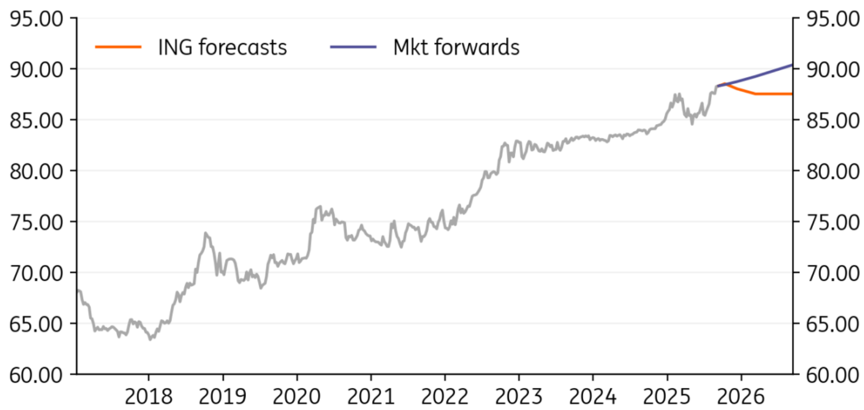
- While macro conditions have improved, South Korean won trading remains range-bound due to continued domestic fund outflows and weak foreign investment inflows.
- With stabilised housing prices, inflation near 2%, and export slowdown worries, the Bank of Korea is likely to cut rates in October but remains cautious about further easing.
- Unless the Fed signals a more dovish stance than anticipated, we expect the KRW to weaken temporarily.



USD/INR: Risk of further weakness in INR persists

	Spot	One month bias	1M	3M	6M	12M
USD/INR	88.3100	Mildly Bullish	88.50	88.00	87.50	87.50

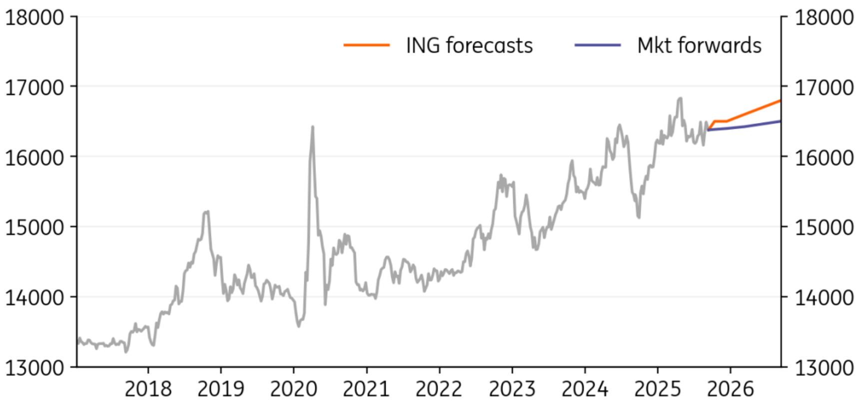
- The Indian rupee fell to a record low last month. While the equity markets remain supported by domestic inflows, despite India being hit with the highest tariff rate of 50% in the region, FII outflows of $7bn in July-August were negative for the INR.
- While recent goods and services tax rate cuts may partially offset the impact of tariffs on GDP growth, a lack of meaningful export diversification away from the US suggests the drag on growth will be significant. Assuming a full tariff pass-through and no trade diversion, the direct hit would be 0.6-0.7% of GDP.
- Active Reserve Bank of India intervention is expected to cap USD/INR around 89.0 amid external headwinds. However, the risk of further weakness persists if India fails to negotiate tariff levels lower.



USD/IDR: Political unrest to intensify pressure on IDR

	Spot	One month bias	1M	3M	6M	12M
USD/IDR	16,378.0000	Mildly Bullish	16500.00	16500.00	16600.00	16800.00

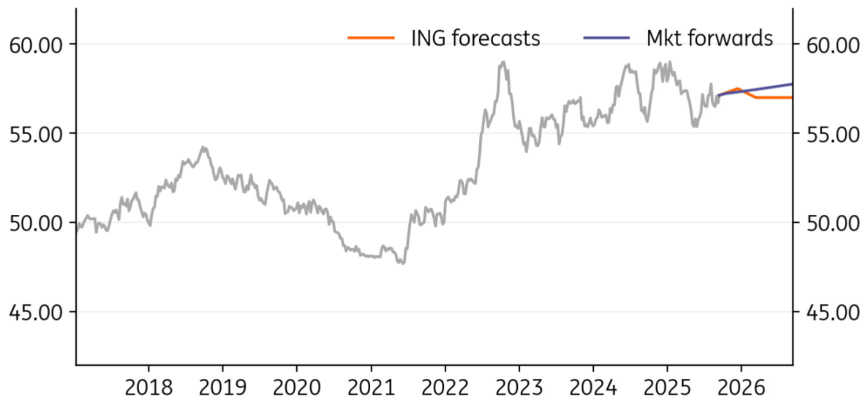
- Indonesia is facing a wave of political unrest after lawmakers approved generous new housing allowances for themselves, sparking public outrage amid rising living costs and budget cuts to essential social services. Adding to the chaos, the President abruptly removed Sri Indrawati, who is widely respected for her fiscal discipline, from her role as finance minister.
- This has raised investor expectations of an even wider fiscal deficit that was projected to increase from 2.3% in 2024 to 2.5% on 2025, and also a possible increase in budget deficit limit. This could intensify pressure on the Indonesian rupiah and delay rate cuts.
- Foreign institutional investor outflows accelerated following the social unrest in late August. While Bank Indonesia's intervention has so far stabilised the IDR, the recent sharp drop in FX reserves to a nine-month low suggests BI may scale back its support.



USD/PHP: Headwinds from overvaluation and wider twin deficits

	Spot	One month bias	1M	3M	6M	12M
USD/PHP	57.1300	Mildly Bullish	57.25	57.50	57.00	57.00

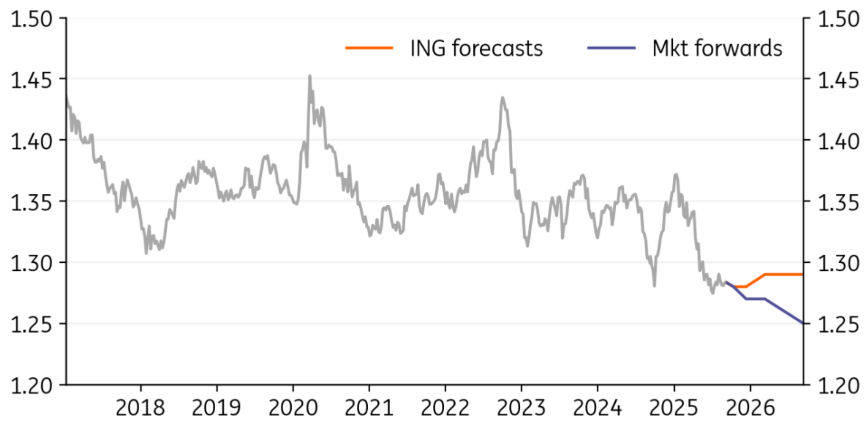
- The Philippine peso appreciated by a mild 0.2% last month, largely driven by a slowdown in foreign outflows from the equity market as the markets digested the higher-than-expected tariffs.
- While the rate easing cycle is approaching its end, we still expect one final cut this year, driven by our outlook for softer GDP growth in the second half of 2025. Combined with elevated inflation, this would lower the real policy rate from 3.5% currently to around 2.75% by end-2025, likely exerting downward pressure on the PHP.
- While PHP may benefit from USD weakness, we think REER overvaluation and fiscal deficit concerns will continue to be headwinds. Moreover, the external balance of payments remained negative in July.



USD/SGD: SGD outperformance to fade gradually

	Spot	One month bias	1M	3M	6M	12M
USD/SGD	1.2830	Neutral	1.28	1.285	1.29	1.29

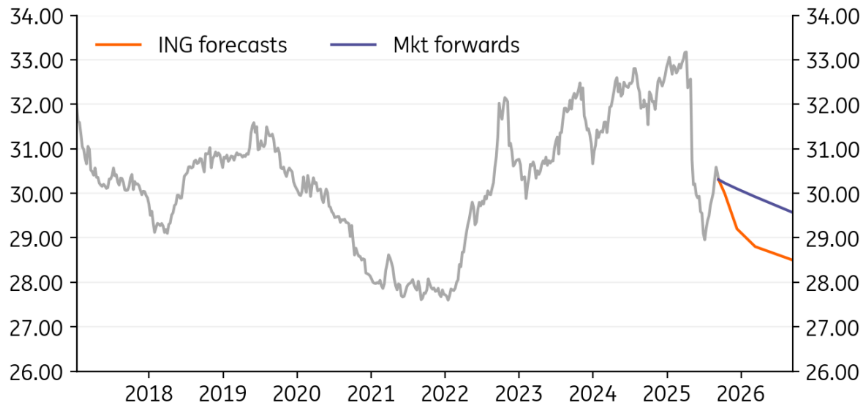
- Strong FDI inflows and current account balance have supported the overall external balance, keeping the Singapore dollar firm. The probability of further monetary policy easing by the Monetary Authority of Singapore in October is increasing, as core inflation eased further to 0.5% YoY in July from 0.6% in June.
- Moreover, the SGD NEER continues to hover at the top of its policy band, pushing the currency's overvaluation to new highs. With the NEER band slope at 0.5%, further scope of appreciation in SGD is limited.
- We also expect GDP growth to slow down significantly in the second half of the year to roughly 1% YoY, with leading indicators suggesting a sharp slowdown in exports and investment activity, driven by slower global growth and uncertainty around tariff impact.



USD/TWD: TWD returned to rangebound zone over the past month

	Spot	One month bias	1M	3M	6M	12M
USD/TWD	30.2900	Mildly Bearish	30.00	29.20	28.80	28.50

- USD/TWD was rangebound above 30 over the past month, trading in a range of 30-30.7. The New Taiwan dollar has been in a gradual weakening trajectory for the past two months, after its surge in May and June.
- Despite the continued softening of the TWD, domestic drivers remained positive for the currency. US-Taiwan yield spreads narrowed, while equity market net inflows slowed again but remained positive. We expect the Central Bank of the Republic of China to remain on hold in September.
- Taking aside the broader USD trajectory, local factors may suggest risks are still balanced toward a TWD recovery in the next few months.



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