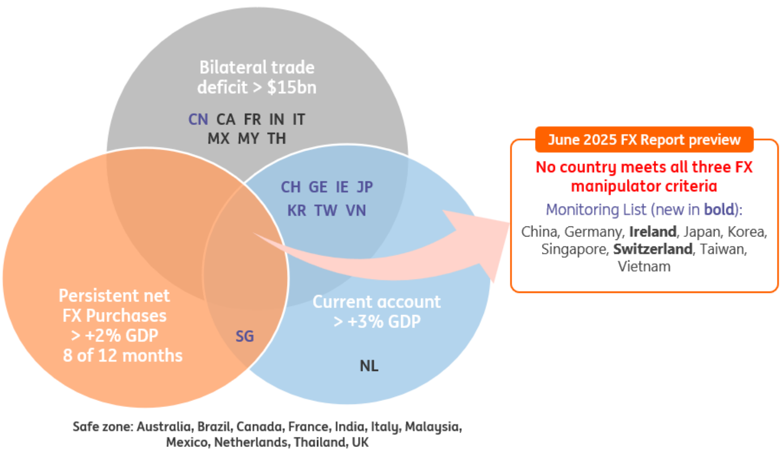
Treasury FX report preview: Monitoring list expanded, but no manipulator tags

The US Treasury's report on macro and FX practices of trading partners is due in June. According to our estimates, the monitoring list will be expanded to include Ireland and Switzerland, but no country should meet all three criteria to be named FX manipulator. The most notable market implication could be on SNB rate cut expectations



Source: ING

Revamped interest for the FX report under Trump

The US Treasury's semiannual report on the macroeconomic and foreign exchange policies of major trading partners—the so-called "FX report"—is expected this June, though the exact release date remains unconfirmed. During Trump's first term, the report took on far more political weight, serving as a visible tool in the broader push toward protectionism. Now, as the US enters a new phase of its trade policy—one supposedly defined less by tariff threaths and more by the fine print of deals—the FX report may play a role in shaping the conversation about currency agreements with trading partners.

Lately, speculation has grown that the US might push for commitments on currency appreciation against the dollar as part of future trade agreements (see our Mar-a-Lago accord note here for background). In Taiwan and Korea, it triggered sharp rallies in the domestic currencies. The upcoming FX report will analyse data for the period January-December 2024, when the dollar was generally strong and many central bank interventions were often aimed at supporting local currency, rather than weakening it. The November 2025 issue, which will analyse the four quarters through June 2025, is where we could see greater chances of FX manipulation labelling. Still, this June edition – and the reaction by the Trump administration - can give important insights on how much the US aims to use the report as a tool for trade negotiation leverage.

It's worth remembering that the Treasury has significant leeway when it comes to judging one-sided foreign exchange intervention, one of the three criteria (alongside trade surplus with the US and current account balance) for labelling a country as an "FX manipulator". During Trump 1.0, China was labelled a currency manipulator without meeting all the criteria, which can by the way be amended by the Treasury.

In this note, we present our own estimates for these criteria, allowing for a direct comparison with the official figures once released. This can offer a clearer view of which countries may attract heightened scrutiny—not only for potential FX manipulation, but also within the broader scope of US protectionist policy.

ING's estimates for the June 2025 FX report

	Goods & services trade surplus with US (USD bn)	Current account balance (% of GDP)	Net FX purchases (% of GDP, trailing 4Q)	Net FX purchases (8 of 12 months)
China	263	2.3	-0.4	No
Mexico	179	-0.1	0.0	No
Vietnam	122	5.5	-2.0	No
Germany	90	5.7	0.0	No
Taiwan	73	14.2	-0.8	No
Japan	64	4.8	0.0	No
Korea	55	5.4	-0.3	No
Italy	48	1.1	0.0	No
India	46	-0.9	-0.3	No
Thailand	46	2.1	0.8	No
Canada	36	-0.5	0.0	No
Ireland	25	17.2	0.0	No
Malaysia	23	1.4	-1.2	No
France	21	0.4	0.0	No
Switzerland	17	5.1	0.1	Yes
UK	-15	-2.7	0.0	No
Brazil	-29	-2.9	-1.7	No
Singapore	-30	17.5	5.3	Yes
Australia	-34	-1.9	0.0	No
Netherlands	-73	9.9	0.0	No

Source: ING, Macrobond, US Census Bureau, National central bank filings, IMF

Net FX purchases reflect figures reported directly by central banks when available, otherwise estimated via changes in FX reserves adjusted for valuation effects. For China, the Treasury generally offers a range for FX purchases - our estimate is the mid-point

Our estimates

The figure above summarises our estimates for the summary table included in every Treasury FX report. As mentioned, the reference period for the June report is January-December of the previous year - in this case 2024.

The three criteria to label a country an FX manipulator were amended in 2021, and are the following:

1. A significant bilateral goods and services **trade surplus with the United States**: at least $15 billion.
2. A material **current account surplus**: at least 3% of GDP.
3. **Persistent, one-sided intervention**: net purchases of foreign currency are conducted repeatedly, in at least 8 out of 12 months, and these net purchases total at least 2% of an economy's GDP over a 12-month period.

Countries that meet two of the Treasury's criteria, or those that account for a "large and disproportionate" share of the overall US trade deficit (like China), are added to the monitoring list, and kept there for at least two reports. The practical impact is limited; the main effect is to add pressure for the targeted countries to review their macro and FX policies. But in the current context, we cannot exclude being part of the watchlist can have direct implications for trade relations with the US.

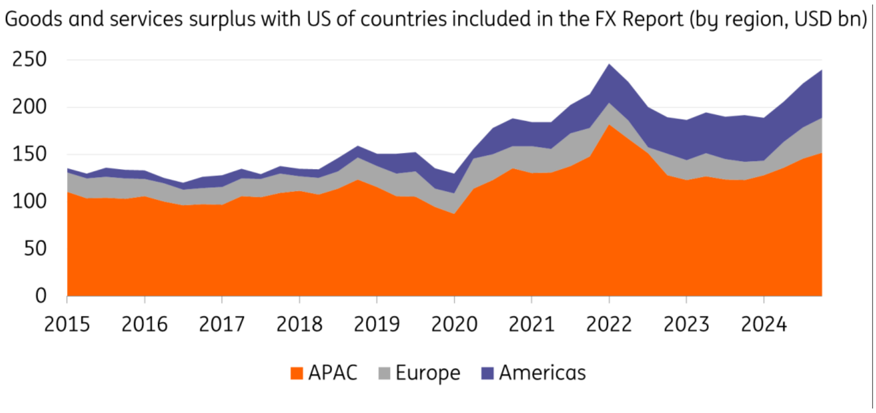
According to our estimates, the June report should show that all countries in the November 2024 monitoring list will remain on it. The new developments are Ireland and Switzerland, which we expect to be added. Here is the full watchlist we expect at this June 2025 report: China, Germany, Ireland, Japan, Korea, Singapore, Switzerland, Taiwan, Vietnam.

Implications for trade policy and markets

Our working assumption is that the Treasury will not amend the thresholds nor designate any country an FX manipulator if they don't meet the three criteria – like it did with China in 2019 – although that is a non-negligible risk. For example, the Trump administration may decide to revert to the stricter criteria used until 2021: analysing only goods trade (and not services), or lowering the threshold for current account surplus to 2% or that for net FX purchases from 8 to 6 months. That still wouldn't be enough for any country to fall into the manipulation designation in this June report, according our estimates.

One of the reasons the Treasury could mention for amending the criteria is the sharp rise in the US trade deficit. The combined goods and services surplus with the US of the 20 trading partners included in the FX reports has climbed back to early 2022 highs, at around $240bn per year.

Trade surplus with the US widening

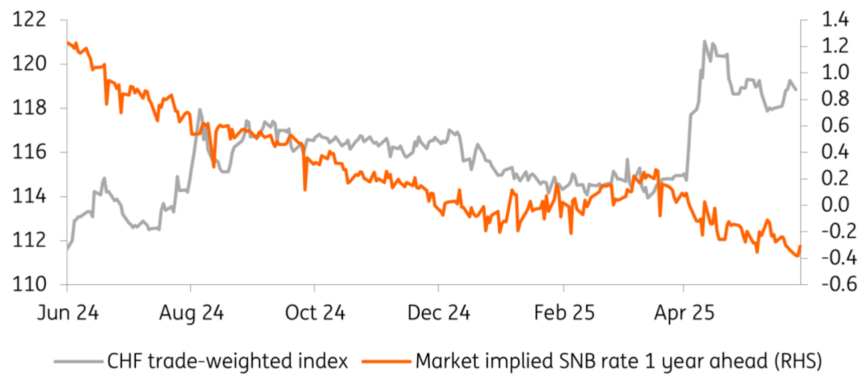


Source: ING, US Census

If our estimates are accurate, headlines after the FX report will focus on Ireland and Switzerland joining the monitoring list. Should the Trump administration decide to leverage the report findings in the context of trade policy, Ireland joining Germany in the monitoring list could prompt some less conciliatory remarks on the EU.

However, Switzerland is likely to draw more attention from markets. There's recent speculation that the Swiss National Bank is holding off on FX intervention to weaken the franc due to the risk of being labelled a manipulator by the Treasury, and will therefore resort to negative rates. The policy rate is currently at 0.25% and the SNB announces policy on 19 June. Should the Treasury's FX report be published before then, markets may increase their bets on a 50bp rate cut in June (now, 31bp are priced in), on the view that being added to the monitoring list further reduces the scope for FX interventions. As shown in the table above, the SNB's interventions were positive in 2024, but not big enough to reach the 2% of GDP criteria, otherwise, all three criteria for FX manipulation would have been met.

How to fight a strong CHF? Markets think negative rates



Source: ING, BIS, Refinitiv

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