

# ESSENTIAL ASIA

## Time to get fiscal



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### Talking Points

- Markets are undecided on how to price the Trump trade going forward but confidence and conviction of a bullish USD view is waning.
- Even though US-China trade war risks have not been fully eliminated, they have been pushed back meaningfully. Accordingly, we revised our USD/Asian FX forecasts.
- We revise our USD/CNY forecasts lower in light of the ongoing softness in USD trend and as protectionist measures may be a rising theme only later in the year.

### Recent Reports

- 22 February 2017 – FX Strategy: Has the US dollar peaked?
- 13 February 2017 – FX Strategy: Asia's road out of Globalization's retreat
- 10 February 2017 – China is becoming the key advocate for major free trade deals

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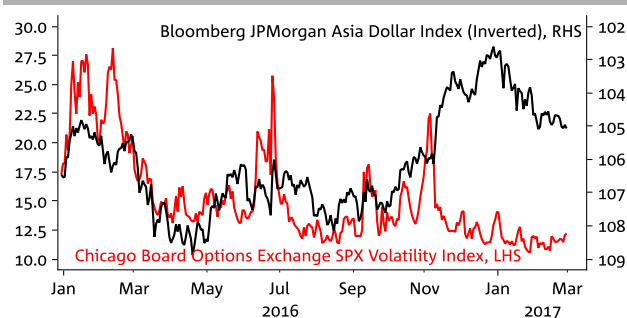
### Trade recommendations

Entry Date	Currency pair	Recommendation	Opening level	Target	Stop
1 Nov 2016	USD/KRW 6m NDF	Long	1140.15 (spot ref 1139.77)	1220	1110

### Key FX forecast revisions

		Mar 17	Jun 17	Sep 17	Dec 17	Mar 18	Jun 18	Sep 18
New	USD/CNY	6.90	6.92	7.05	7.04	7.03	7.01	7.01
Old		7.20	7.24	7.18	7.17	7.18	7.16	7.15
New	USD/KRW	1150	1200	1250	1240	1240	1220	1180
Old		1250	1280	1250	1240	1240	1220	1180
New	USD/INR	67.5	67.8	68.5	68.3	68.1	67.9	67.8
Old		69.0	69.0	68.5	68.2	68.2	68.0	67.8
New	USD/SGD	1.405	1.420	1.450	1.450	1.450	1.430	1.420
Old		1.500	1.520	1.550	1.545	1.535	1.520	1.495

### Chart of the month



### Asia Policy Rates

	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
Korea	1.50	1.25	1.25	1.25	1.00	1.00	1.00	1.00
Thailand	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Malaysia	3.25	3.25	3.00	3.00	2.75	2.75	2.75	3.00
India	6.75	6.50	6.50	6.00	6.00	6.00	6.00	6.00
Indonesia	5.50	5.25	5.00	4.75	4.75	4.75	4.75	4.75
China	4.35	4.35	4.35	4.35	4.35	4.10	4.10	4.10

## RISKING RISK OFF

- Markets are undecided on how to price the Trump trade going forward but with the USD having reversed more than half of its post US election rally, confidence and conviction of a bullish USD view is waning
- Even though US-China trade war risks have not been fully eliminated, they have been pushed back meaningfully
- Accordingly, we revised our USD/Asian FX forecasts, to reflect a more moderate but prolonged upward trend in USD in coming quarters

Our G10 FX Strategists still believe that the dollar can end 2017 higher than it is today, but a resumption of an appreciation trend could well be delayed until H2 2017. Admittedly, the recent recovery in Asian currencies have been led by the ones identified as most sensitive and vulnerable to Trump-led trade war against China. The recent price action in the ADXY appears to be the (delayed) unwinding of the initial over-reaction to risk aversion (Chart 1).

### We Revised USD/Asian FX Forecasts

Accordingly, we reviewed and revised our USD/Asia FX forecasts, mainly to reflect a more moderate but potentially prolonged upward trend in USD in coming quarters. The top three Asian FX gainers vs the USD year to date were the KRW (+6.7%), TWD (+5.2%) and SGD (+2.9%). These are precisely the currencies that have been identified as most sensitive to Trump tantrum. Specifically, KRW and TWD are potential targets for the currency manipulator label, along with China. Hence, markets have been awash with talk that the recent appreciation in these currencies were not resisted by the respective central banks, as a way of reducing the scrutiny in the run up to the US Treasury report in April.

We now expect USD/CNY to end the year at 7.04 instead of 7.17, USD/KRW end 2017 forecast is maintained at 1240 but the Q2 profile lowered to 1200 from 1280. USD/SGD is projected to climb to 1.45 by end 2017, lowered from 1.545 initially.

### Standing By to Retaliate

"No one won the last war, and no one will win the next war." – Eleanor Roosevelt

Now that it is made known that the US will not be labelling anyone currency manipulator before mid-April, that was also seen as a signal that a more diplomatic

route will be adopted.

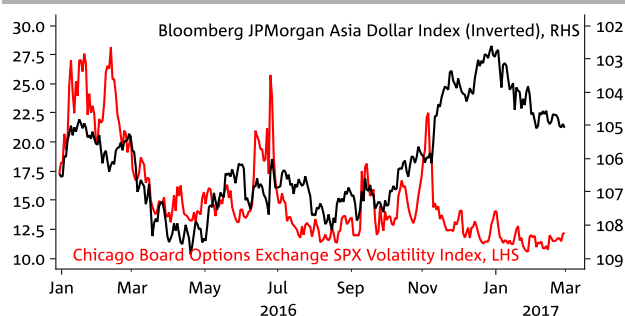
However, it is not yet time to discount trade war risks totally, as the Trump administration seems to be working on legal mechanisms that could circumvent WTO's dispute system to level trade sanctions unilaterally against China and other countries. That basically brings into focus what China will do in retaliation to the various risks ahead. At the risk of over-simplifying, some potential responses from China, depending on the "weapons" deployed, include export subsidies, greater fiscal spending on affected industries and of course, depreciate the local currency to offset the impact of tariffs or tax on Chinese products.

At this juncture, it may be premature to choose an outright USD bullish path, as an outright CNY depreciation as a direct retaliation is not the preferred policy choice, and the risk of this response being deployed is correlated to whether or not Trump administration implement a hefty border tax. Also, China's main consideration will also be on the overall impact of growth. The value-added generated by exports accounts for about 15% of China's GDP, down from around 23% of GDP in 2007. The US accounts for about 20% of China's exports and around 3% of China's GDP. A 10% decline in US exports to the US will shave 0.3% point off China's GDP, without including the knock on effects on employment and investment.

### Risking Risk-off May Still Pay Off, For Now

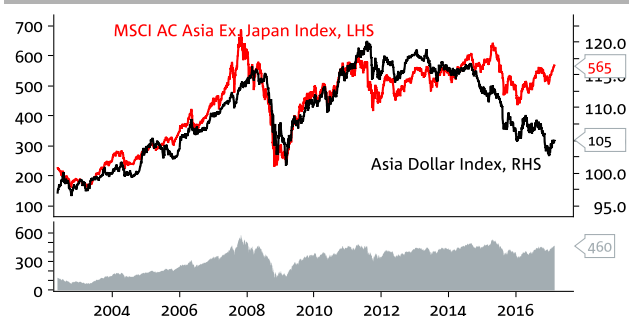
Are markets getting too complacent about risk-off being put off for longer? Based on the appetite and the corresponding foreign portfolio flows into Asia's equity markets, it appears that the room for Asian FX appreciation remains ample (Chart 2). However, market positioning for Asian currencies has adjusted from heavily long USDs to about neutral or slightly short USD, based on the latest FX positioning survey by Reuters. The exceptions are PHP, MYR and SGD, where the appetite for long USD positions is rebuilding. Interestingly, FX investors are now holding more short USD/INR positions than before the US elections results. In the run-up to India's state elections outcome in mid-March, there is the risk of these USD shorts being covered. That said, India's strong macro fundamental outlook may still provide a strong support for INR and INR assets in the medium term. In general, the benign global risk environment may still provide a conducive environment for keeping selective USD shorts, but we are mindful that markets may be approaching the bottom of the soft USD cycle.

Chart 1: ADXY slow to react to slide in risk aversion



Source: National Australia Bank, Macrobond

Chart 2: Still room for Asian FX appreciation



Source: National Australia Bank, Macrobond

## CHINA SPOTLIGHT:

### *Right here waiting (for the label)*

- We revise our USD/CNY forecasts lower in light of the ongoing softness in USD trend and as protectionist measures may be a rising theme later in the year, not imminently
- In the meantime, China's economy is expected to stay in a Goldilocks situation, with risks quite balanced
- Capital controls and tight management of the currency and interbank liquidity will likely deter massive CNY depreciation

#### Trump on China – tantrum to whimper

The CNY has tracked but lagged the recovery in Asian currencies thus far this year. The CNY's 1.1% appreciation vs the USD thus far this year may look impressive, but insignificant when compared with the KRW and TWD, which appreciated 6.6% and 5.0 % respectively.

There has been a visible retreat in US President Trump's stance on China and some sort of "compromise" on both ends, after President Trump accepted the "One China" policy during his first presidential call with Chinese President Xi on February 10. Right on the heels of that, perhaps coincidentally, China's courts approved a trademark registration for construction services that President Trump's business had sought for over a decade. Amidst the lack of goodwill message from President Trump over the Chinese New Year, his daughter Ivanka made an appearance at a Chinese New Year function at Beijing's embassy in Washington and another daughter Tiffany deliberately sat in the front row of the New York Fashion Week show of a Chinese designer.

Newly appointed US Treasury Secretary Mnuchin probably wrapped it up rather nicely for markets when in his first media interview, he indicated there is no urgency to designate China a currency manipulator and that no announcement will come before the US Treasury's report in April.

#### Moving on with certain uncertainties

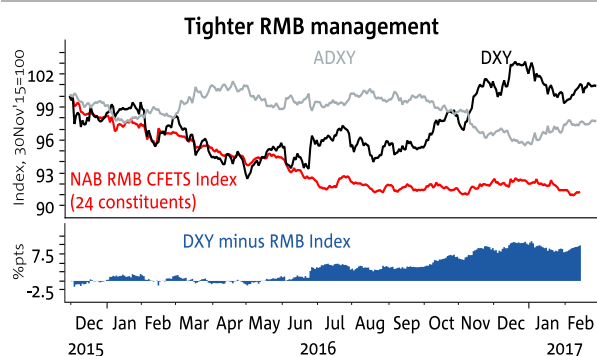
While the uncertainties pertaining to a trade war and punitive tariff measures are prevailing risks, most in the market have been wrong-footed about the USD's strength, or lack of. With the new assessment on the USD's strength being one that is pushed back towards the later part of the year and probably into early 2018, we think that the appetite for risky EM assets may persist in the near term. Accordingly, we have revised the overall path for USD/CNY (along with other Asian currencies), pushing USD strength out to Q2 and beyond. We now expect USD/CNY to end 2017 at 7.04 vs 7.18 initially. The new forecasts are premised on the Chinese authorities maintaining a stable RMB index, manoeuvred via some appreciation vs the EM currencies within the basket and potentially some underperformance vs the USD and mixed moves vs non-USD DM currencies.

#### Meanwhile, at the Great hall of the People

The 5<sup>th</sup> session of the 12<sup>th</sup> National People's Congress will take place in early March at the Great hall of the People. It will be interesting to observe President Xi's official stance on Sino-US political and economic ties for the next 12 months. In the run up to the congress, China has restated its commitment to deepen reform of state-owned enterprises from the steel, coal and power sectors as priorities through reshuffles, reorganizations and mixed-ownership. The petroleum, gas, railway, telecommunications, civil aviation and military sectors will be given priority in mixed-ownership reform. Currency reform may be de-emphasised over priority on financial sector stability. Since the last NPC, reform progress has shown signs of stalling as Brexit and the US elections outcome warranted a more cautious policy stance. Massive capital outflows and financial sector risks have been destabilising as well.

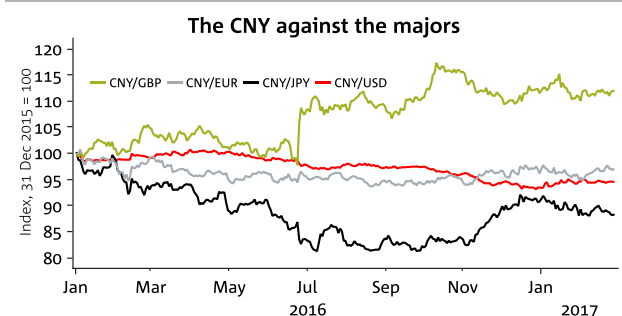
However, macro conditions have shown signs of recovery and reduced uncertainties surrounding the US' trade policies will likely pave the way for the resumption of macro reforms for the sectors still languishing under excess capacity.

Chart 1: Tighter RMB management



Source: National Australia Bank, Macrobond

Chart 2: Mixed fortunes but on a flattening trend



Source: National Australia Bank, Macrobond

## KOREA SPOTLIGHT: *Won manipulator*

- The won has bucked expectations and outperformed the other Asian currencies, registering nearly 7% appreciation year to date
- While risk appetite and portfolio inflows play a part in contributing to the KRW's recent vigour, investors probably took comfort in the prospect that the BoK will be less resistant to KRW appreciation
- We have revised near term USD/KRW projections lower but maintain year end forecast at 1240, in view of the overall economic prospects

The KRW is the region's best performer year to date, appreciating nearly 7% vs the USD. The won has bucked general expectations that it will be most sensitive to worsening Sino-US trade relations and most vulnerable to a USD rebound. That remains the premise for our medium term forecast for USD/KRW, but the soft global USD environment warrants a review of the near term forecasts.

### Portfolio inflows only part of the equation

More than US\$1.5bn worth of portfolio inflows into Korean equities markets and a whopping US\$7.7bn into the local debt market provided the wind in the KRW's appreciating momentum. However, that is only part of the equation. The soft global USD environment and the risk of Korea being labelled a currency manipulator in April have stoked investors' expectations that the Bank of Korea will be less resistant to KRW appreciation. However, there are signs that inflows into the equities market may be peaking since February and/or a switch in appetite from Korean equities to Korean debt.

The inflows into Korean debt is worth highlighting, given that during the same period last year, there was a total of US\$185mn worth of outflows. Even as the BoK has held its benchmark policy rate unchanged since the last cut to 1.5% in June last year, there is now building expectation that the BoK will stay accommodative this year and may even cut rates further. This sentiment bodes well for the debt market in the near term but we doubt it will be a strong enough buffer in the event of a USD shock on the back of a Trump-led tantrum.

### Will Korea's exports stay constructive for the Won?

Concerns over rise in protectionism and trade war risks are as relevant for Korea as it is for China. There is a growing optimism over Korea's export recovery, after the upside surprises in the last few months. However, the breakdown suggested that the rise in export value was mainly driven by commodity related sales, while non-commodity exports continued to display a flat trend. While exports to major destinations have swung to double-digit yoy growth, exports to China showed little meaningful growth, though arguably January data could be hampered by seasonal effects.

Growth in export values suggested that it was largely demand from outside the US that has been recovering strongly. As the economic performance in China starts to slow, Korea's export strength from this source may falter in coming months. As for Korea's export volumes, there are scant signs of a meaningful recovery and threats of trade protectionism may actually exert a downward force going ahead.

The risk premium based on Korea's exposure to US-China trade war risks appear to have been fully unwound, but at the peak of these concerns, USD/KRW has touched 1215.30 high at the end of December. Markets have ignored the ongoing domestic issues related the President's impeachment proceedings. The court is currently reviewing the impeachment motion, a process that can take up to six months and a Presidential election could ensue within two months. The bribery allegations on Samsung Chairman Lee involving President Park and last year's Samsung Notes7 phones recall are ongoing and developing domestic issues that could dampen risk appetite for Korean assets.

BoK Governor Lee's latest speech to parliament displayed a cautious tone, alluding to the challenges to policy direction from high uncertainties as well as the need to reduce KRW volatility. The indication on monetary policy is for the accommodative stance to be maintained, even as the Fed starts hiking, and a neutral fiscal plan. We expect USD/KRW to resume its upward trend going ahead, and short USD/KRW positioning (based on Reuters survey) suggests that the recent KRW gains may be losing momentum and a reversal may be in tow.

Chart 1: Portfolio inflows contributed to KRW vigour

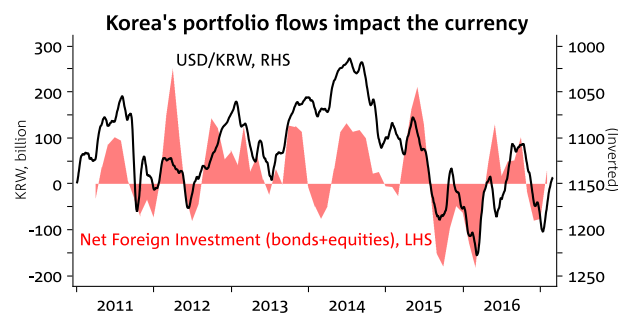
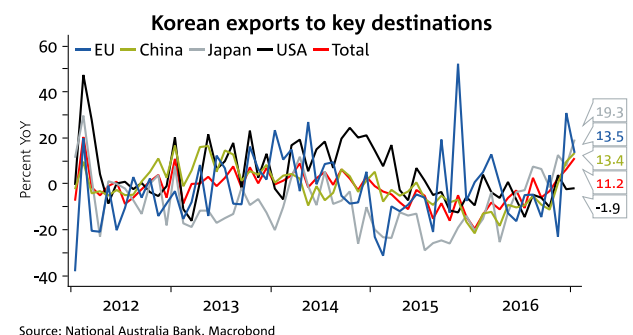


Chart 2: Exports to non-US destinations holding up



## INDIA SPOTLIGHT:

### *Stay calm and carry on*

- The negative impact of November's demonetization appears to be fairly benign
- The government and the RBI seem fairly comfortable in their assessment that the economy is not in need of major support
- India's strong growth, the INR's carry buffer and a supportive RBI should make the INR and INR assets fairly attractive in an uncertain environment

The last few months have seen policymakers in India take a few bold calls on the economy and the next few months could see these repaid in good growth numbers and greater relative stability within Asia.

The first of these was of course the demonetization measure in November 2016, with which the authorities wagered that the near term pain would be worth longer term rewards in the form of increased tax revenue, a lower cost of transactions and improved transmission of monetary policy shifts. With the wager already appearing to pay off, the government has gone with a fairly prudent budget for FY2017/18 and the Reserve Bank of India (RBI) has followed up with a surprisingly early shift to a neutral monetary policy stance.

While the risk of negative surprises is still non-negligible, the combination of one of the fastest (and least export-dependent) growth rates in Asia, an improving fiscal profile, and stable monetary policy, could lead to the INR and Indian financial assets to be one of the most attractive in Asia. This would be especially so if the US continues on its path towards protectionism and global growth is threatened.

#### **Demonetization a sneeze, not a cold**

The main worry with November's demonetization measure in was that it would create so much disruption that consumption and investment would be severely impeded, potentially for an extended period. This now appears to be too pessimistic.

For sure, there's been disruption. Cash withdrawals and two-wheeler sales did plunge in the immediate aftermath of the demonetization, but this does not seem to have translated into a meaningful deterioration in hiring decisions. In fact, there are bright spots: two-wheeler sales rebounded sharply (albeit still 23%

below the pre-demonetization peak) and card transactions have surged. Most positive of all is the fact that Q4 GDP growth, which only decelerated slightly to 7.0% yoy from 7.3% in Q3. All of these suggest that the overall disruption to the economy is somewhat muted and is likely to continue to ebb away quite quickly.

NAB remains fairly sanguine about the impact of the demonetization and our India economist John Sharma is looking for 7.2% GDP growth in 2017 and 2018.

#### **Budgeting for a mere hiccup**

The government surprised many with a rather conservative budget, given the circumstances. The FY2017/18 budget saw the projected deficit raised to just 3.2% of GDP, from 3.0% previously, still a contraction from FY2016/17's 3.5%. Apart from the fairly prudent nature of the budget, it is also on the right track for the fact that it focuses on infrastructure and health-related areas.

Our onshore colleagues in Mumbai have pointed out tax revenue growth has been projected at a reasonable 12% in this budget, relative to 17% in the previous budget. This is very much in line with nominal growth (given inflation of around 4%-5% and can easily be surpassed given the apparent relative success of the demonetization measure in bringing money into the banking system, which enables more assets to be tracked and taxed.

#### **RBI in fast forward**

Perhaps in line with the government's thinking, the RBI has also allowed itself the luxury of focusing on inflation rather than stimulus. The RBI declined to cut rates at its February meeting and even moved its monetary policy stance from accommodative to neutral. The RBI said in its latest minutes that core inflation (ex-food) was estimated by a board member to be near to the RBI's 5% near term target. However, the RBI is scheduled to move to its medium term target of 4% after March, and the shift to a neutral monetary stance is a forward-looking move. The RBI minutes also mentioned that the demonetization is expected to improve the pass through of the 175bps of rate cuts done last year.

It should be noted though that a neutral stance does not preclude further rate cuts and our economist is still looking for another 25bps cut in H2 this year. Given that excluding fuel, inflation is fairly benign and any significant slowdown in economic activity is likely to prompt an easing move.

Chart 1: Q4 GDP shrugged off demonetization

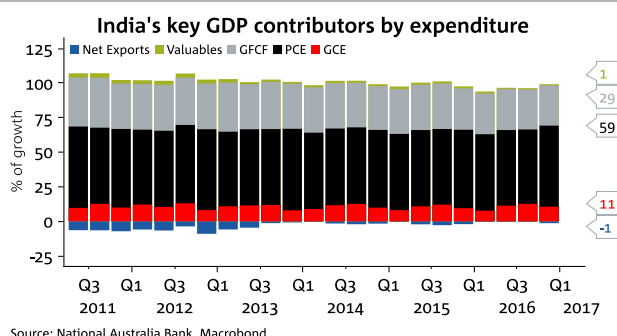
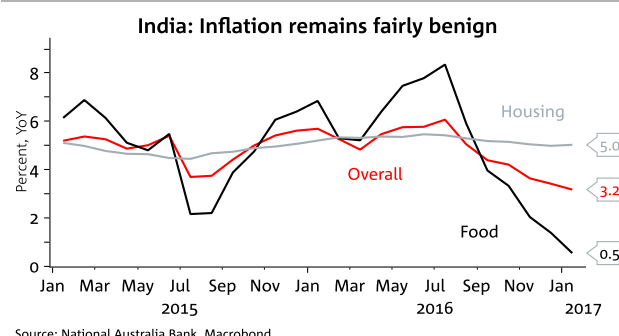


Chart 2: Food drags headline inflation lower



## SINGAPORE SPOTLIGHT:

### *All hands off the pump!*

- The FY17/18 budget suggests pump priming is not on the cards
- The focus was instead more on addressing structural issues and long term infrastructure capacity
- This might imply that the MAS too will eschew attempts to boost near term growth and keep its powder

Budget 2017 was pretty much in line with the recommendations from the Committee on the Future Economy (CFE), which were centred on embracing globalization, digitization and innovation. Overall, the budget is mildly expansionary and the stimulus is still focused on an infrastructure build out.

Overall, the budget surplus is projected to fall from 1.9% of GDP in FY16/17 to 0.4%, but this includes a repatriation of returns on government investments abroad. Sans that and adding contributions to endowments gives the basic deficit, which widens from 1.4% to 1.9% of GDP.

The 2017 budget then focuses on the structural issues and is a pragmatic acknowledgement that there is only very limited room for policy action on the cyclical front. What is interesting now is how much does the Monetary Authority of Singapore (MAS) concur with that view. If indeed that is the case as we suspect, then it strengthens the view that the MAS will very likely keep its current policy stance unchanged.

#### One for the future

Given the fact that Singapore's economy is transitioning to a developed economy, it is not appropriate for the government to be picking the right industries but rather letting the economy have a freer rein. The CFE had also indicated that there is recognition of this fact.

For the near term, the government has clearly accepted that there is little that can or should be done. It is likely that the fact that the unemployment rate for both residents and on the whole remains low against a backdrop of rather robust core inflation, had a lot to do with the decision to eschew broad stimulus. Another manifestation of the limited scope for stimulus that that the output gap is seen as only very mildly negative.

Instead, the government has opted to focus on the structural issues and provide incentives to guide the economy on a path towards greater competitiveness.

#### In line with WEF findings

To be certain, progress in the area of competitiveness will not be quick given that at this juncture it largely pertains to evolving attitudes within the workforce. In its 2016/17 Global Competitiveness Report (GCI), the World Economic Forum (WEF) had Singapore ranked second, with the main deficiencies in the sub-components of "Technological readiness", "Business sophistication" and "Innovation". The 3 focus areas of the budget clearly correspond to these 3 weaknesses. The other noted areas of weakness – "Market size" and "Macroeconomic environment" – are not areas that can be addressed effectively with fiscal spending.

Table 1: Areas of Singapore's weaknesses highlighted

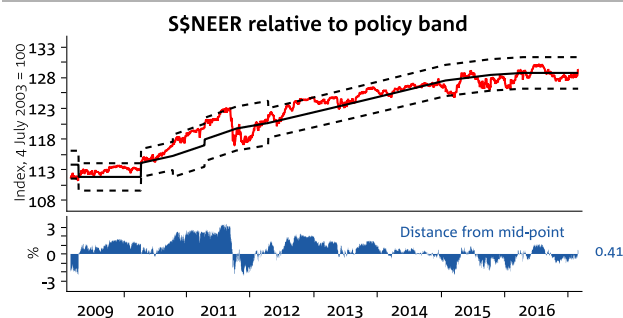
GCI sub-aspect	Global Ranking (of 138)
Institutions	2
Infrastructure	2
Macroeconomic environment	12
Health and primary education	2
Higher education and training	1
Goods market efficiency	1
Labor market efficiency	2
Financial market development	2
Technological readiness	5
Market size	35
Business sophistication	18
Innovation	9
Overall	2

Source: National Australia Bank, World Economic Forum

#### MAS might have a similar view

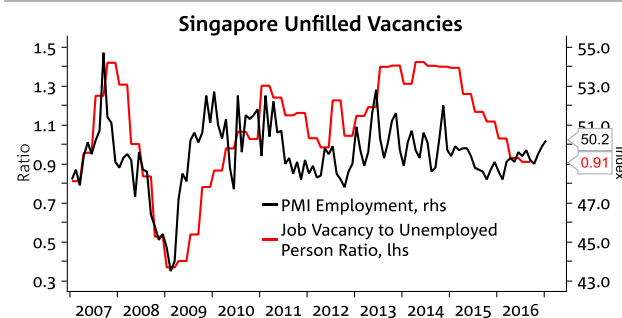
It is quite likely that the Monetary Authority of Singapore (MAS) will have a fairly similar view of the lack of need for near term stimulus and to the extent that Budget 2017's assumptions can be drawn from, it comports with the view that MAS will stand pat this April.

Chart 1: S\$NEER still near the mid-point



Source: National Australia Bank, Bloomberg, Macrobond

Chart 2: Job scene shows signs of stabilizing



Source: National Australia Bank, Bloomberg, Macrobond

## MALAYSIA SPOTLIGHT:

### MYR to remain a laggard

- Q4 GDP growth highlighted the strength of domestic engines, but this poses an external risk.
- FX reserves remain precariously low and this is likely to leave the MYR vulnerable to external uncertainty.
- A strong USD rebound and domestic political uncertainty are key threats for the MYR going forward.

Despite a fairly strong Q4 2016 GDP growth and a somewhat generous 2017 federal budget, the MYR continued to underperform most regional peers in 2017. The MYR remains by some distance the worst performer in EM Asia from the end of October to date.

Going forward, there is a good chance that this will continue given that strong domestic demand is likely to see imports remain strong. Tepid global demand, weighed down by fears of trade tensions, and stagnant commodity prices, are likely to keep exports somewhat weaker and shrink the trade balance.

In the near term, Bank Negara Malaysia's (BNM) weak FX reserves position will leave the MYR vulnerable to surges in USD as the central bank refrains from robust defences of the MYR. Further out, the prospect of early elections remains a risk for market confidence in Malaysian assets.

#### Domestic engines take over

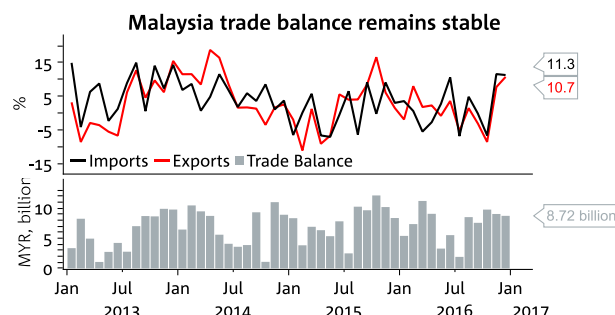
Q4 2016 saw consumption and investment take over from government spending as the government sought to convince ratings agencies of its bona fides in the area of fiscal consolidation. The surge in consumption and investment growth rates though might in part be related to the rather generous budget 2017 announcement in October 2016.

The budget has prompted a significant amount of speculation that this might be a precursor to the calling snap elections in 2017, which might add some amount of risk if it appears that there is some risk to the ruling party's position. At the moment though this appears to be little more than a tail-risk.

The strong domestic demand though could have some negative impact on the trade and current account balance, which is not particularly wide at just 1.9% of GDP. With commodity prices unlikely to see significant upside in the year ahead, and the global economy

potentially weighed down by uncertainty over US trade policy, there is a serious risk of deterioration in the trade balance.

Chart 3: Trade surplus could fall if imports continue to outpace



#### Little in reserve

Since the attempt to clamp down on the NDF market in November, the MYR has been by some distance the worst EM Asian currency against the USD, falling 5.7%. The next worst performer is the PHP at 3.4% with the ADXY having fallen just 0.8%. This underperformance is likely to continue in an environment of USD strength, as the BNM refrains smoothing out MYR weakness in an attempt to preserve its rather slight stash of FX reserves. Most notably, the sum of short term foreign debt and MYR debt held by non-residents comes up to 141% of FX reserves as of January 2017.

With the memory of the NDF scare still fresh in the minds of many, the market is likely to take BNM's declaration that it welcomes foreign participation in the onshore MYR market with a pinch of salt. BNM has asserted that the onshore FX market is going through an "adjustment period" but also conceded that it has had to supply liquidity to the market. With FX reserves running thin, it is more than likely that BNM will continue to look to capital controls to buffer against surges of outflows.

#### International and domestic politics pose risks

Given the BNM's necessary reticence when it comes to defending the MYR, a big threat to the currency will be a sudden resurgence in broad USD strength. Protectionist measures in the US could spark USD strength, while an outbreak of domestic political tensions could lead to MYR weakness. With domestic demand looking robust, BNM could well also use interest rate hike along with the US Fed if the need arises.

Chart 1: Domestic demand appears robust

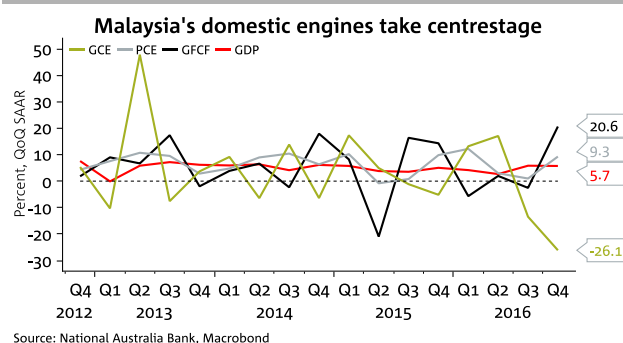
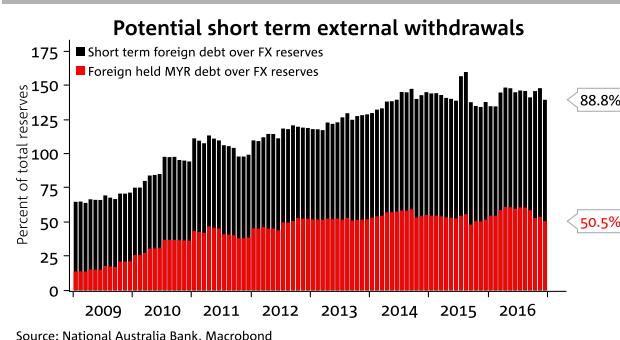


Chart 2: FX reserves running thin



# SELECTED INDICATORS

Table 1: NAB Asian FX Forecasts

	Mar 17	Jun 17	Sep 17	Dec 17	Mar 18	Jun 18	Sep 18	Dec 18		Mar 17	Jun 17	Sep 17	Dec 17	Mar 18	Jun 18	Sep 18	Dec 18
New <b>USD/CNY</b>	6.90	6.92	7.05	7.04	7.03	7.01	7.01	7.00	<b>AUD/CNY</b>	5.31	5.19	5.15	4.93	4.85	4.77	4.77	4.83
Old	7.20	7.24	7.18	7.17	7.18	7.16	7.15	7.12		5.25	5.21	5.03	5.02	4.95	4.87	4.86	4.92
New <b>USD/IDR</b>	13600	13800	13900	13800	13700	13600	13500	13400	<b>AUD/IDR</b>	10472	10350	10147	9660	9453	9248	9180	9246
Old	14000	14100	14200	14100	14000	13800	13700	13400		10220	10152	9940	9870	9660	9384	9316	9246
New <b>USD/INR</b>	67.5	67.8	68.5	68.3	68.1	67.9	67.8	67.7	<b>AUD/INR</b>	52.0	50.9	50.0	47.8	47.0	46.2	46.1	46.7
Old	69.0	69.0	68.5	68.2	68.2	68.0	67.8	67.5		50.4	49.7	48.0	47.7	47.1	46.2	46.1	46.6
New <b>USD/KRW</b>	1150	1200	1250	1240	1240	1220	1180	1160	<b>AUD/KRW</b>	886	900	913	868	856	830	802	800
Old	1250	1280	1250	1240	1240	1220	1180	1160		913	922	875	868	856	830	802	800
New <b>USD/MYR</b>	4.40	4.45	4.60	4.70	4.55	4.50	4.45	4.40	<b>AUD/MYR</b>	3.39	3.34	3.36	3.29	3.14	3.06	3.03	3.04
Old	4.65	4.75	4.85	4.85	4.80	4.75	4.68	4.60		3.39	3.42	3.40	3.40	3.31	3.23	3.18	3.17
New <b>USD/PHP</b>	50.3	50.5	51.0	51.0	51.0	50.8	50.6	50.4	<b>AUD/PHP</b>	38.7	37.9	37.2	35.7	35.2	34.5	34.4	34.8
Old	50.5	51.0	51.5	51.0	50.2	49.5	49.0	48.0		36.9	36.7	36.1	35.7	34.6	33.7	33.3	33.1
New <b>USD/SGD</b>	1.405	1.420	1.450	1.450	1.450	1.430	1.420	1.400	<b>AUD/SGD</b>	1.08	1.07	1.06	1.02	1.00	0.97	0.97	0.97
Old	1.500	1.520	1.550	1.545	1.535	1.520	1.495	1.470		1.10	1.09	1.09	1.08	1.06	1.03	1.02	1.01
New <b>USD/THB</b>	36.5	37.0	37.5	37.8	38.5	38.5	38.5	38.0	<b>AUD/THB</b>	28.1	27.8	27.4	26.5	26.6	26.2	26.2	26.2
Old	36.5	37.0	37.5	38.0	38.5	38.5	38.5	38.0		26.6	26.6	26.3	26.6	26.6	26.2	26.2	26.2
New <b>USD/TWD</b>	31.0	31.5	32.0	32.5	31.8	31.5	31.5	31.0	<b>AUD/TWD</b>	23.9	23.6	23.4	22.8	21.9	21.4	21.4	21.4
Old	33.3	33.6	33.5	33.4	33.3	33.1	33.0	33.0		24.3	24.2	23.5	23.4	23.0	22.5	22.4	22.8

Table 2: NAB Key FX Forecasts

		Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18
Australian Dollar	AUD/USD	0.77	0.75	0.73	0.70	0.69	0.68	0.68	0.69
New Zealand Dollar	NZD/USD	0.72	0.71	0.70	0.67	0.68	0.68	0.69	0.69
Japanese yen	USD/JPY	112	114	116	118	120	120	122	122
Euro	EUR/USD	1.05	1.05	1.04	1.04	1.05	1.06	1.08	1.10
British Pound	GBP/USD	1.25	1.25	1.24	1.22	1.20	1.21	1.22	1.22
Swiss Franc	USD/CHF	1.01	1.02	1.03	1.04	1.06	1.07	1.07	1.08
Canadian Dollar	USD/CAD	1.31	1.33	1.35	1.37	1.37	1.38	1.37	1.35
Chinese New Yuan	USD/CNY	6.90	6.92	7.05	7.04	7.03	7.01	7.01	7.00

Table 3: NAB Asia Macro Forecasts

	2013	2014	2015	2016	2017	2018
Hong Kong	3.1	2.7	2.4	1.6	1.6	1.6
Indonesia	5.6	5.0	4.9	5.0	5.0	5.0
Singapore	4.6	3.3	2.0	1.5	1.5	1.5
Taiwan	2.2	3.9	0.7	1.3	1.3	1.3
Thailand	2.7	0.8	5.0	4.2	4.2	4.2
Malaysia	4.7	6.0	2.6	2.7	2.7	2.7
S Korea	2.9	3.3	2.8	3.3	3.3	3.3
Philippines	7.1	6.2	5.9	6.8	6.8	6.8
<b>Total</b>	<b>4.2</b>	<b>4.1</b>	<b>3.6</b>	<b>3.8</b>	<b>3.8</b>	<b>3.8</b>
China	7.7	7.3	6.9	6.7	6.5	6.5
India	6.3	7.0	7.2	7.1	7.2	7.2

Table 4: NAB Key Macro Forecasts

Country/region	2013	2014	2015	2016	2017	2018
<b>United States</b>	1.7	2.4	2.6	1.6	2.1	2.3
<b>Japan</b>	2.0	0.3	1.2	1.0	0.8	0.6
<b>Euro-zone</b>	-0.3	1.1	1.9	1.7	1.9	1.8
<b>United Kingdom</b>	1.9	3.1	2.2	2.0	1.8	1.7
<b>Emerging Asia</b>	4.2	4.1	3.5	3.7	3.7	3.6
<b>Latin America</b>	2.5	0.9	-0.2	-1.2	0.1	1.9
<b>China</b>	7.7	7.3	6.9	6.7	6.5	6.3
<b>Canada</b>	2.5	2.6	0.9	1.2	1.7	2.0
<b>Australia</b>	2.1	2.8	2.4	2.4	2.3	2.4
<b>New Zealand</b>	2.2	3.4	2.5	3.2	2.9	2.5
<b>India</b>	6.3	7.0	7.2	7.1	7.2	7.2
<b>Africa</b>	5.2	5.1	3.4	1.6	2.8	3.7
<b>Eastern Europe</b>	2.8	2.8	3.7	2.9	3.1	3.1
<b>Middle East</b>	2.4	2.2	2.5	3.8	3.1	3.5
<b>Other advanced</b>	2.2	2.8	2.0	2.0	2.0	2.0
<b>World</b>	<b>3.36</b>	<b>3.39</b>	<b>3.10</b>	<b>2.94</b>	<b>3.18</b>	<b>3.35</b>

Source all tables: National Australia Bank

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