

Essential asia

Selective Optimism



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Talking Points

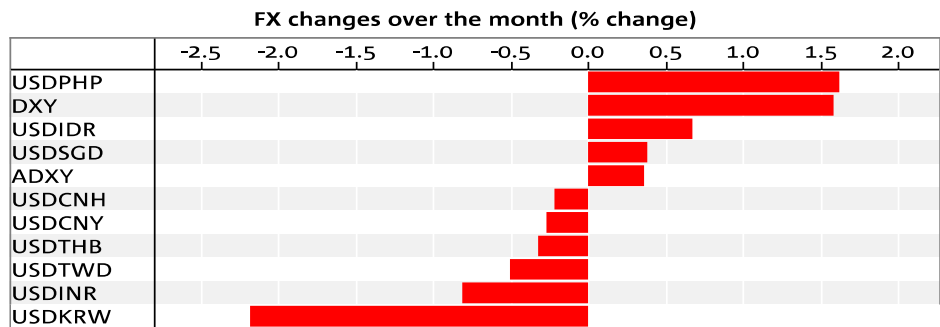
- Investors shed concerns over widening interest rate differential between Asia and the US.
- Geopolitical risks appear to be easing as South Korea and China mend ties and Sino-US relationship may warm further after Trump’s visit.
- Adjustments to Asian currencies outlook for 2018 will probably be along the line of reduced bearishness vs the USD.
- Beijing has removed foreign ownership caps on banks and AMCs but the primary goal is more likely the modernization of the financial sector.

Recent Reports

- 14 Nov 2017 – China’s economy at a glance
- 08 Nov 2017 – China Economic Update
- 12 Oct 2017 – The Forward View – Global

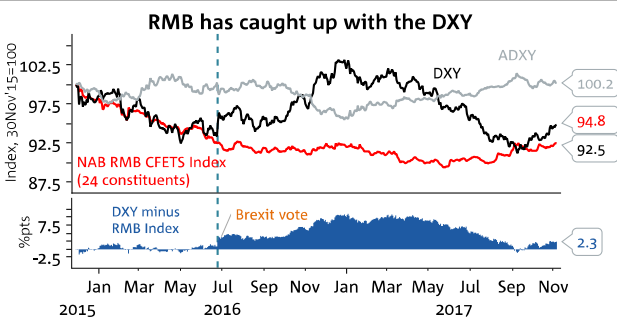
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Asia FX in October



Source: National Australia Bank, Bloomberg, Macrobond

Chart of the month



Source: National Australia Bank, Bloomberg, Macrobond

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	1.25	1.25	1.25	1.25
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	3.00	3.00	3.00	3.00
India	6.75	6.50	6.50	6.25	6.25	6.25	6.00	6.00
Indonesia	5.50	5.25	5.00	4.75	4.75	4.50	4.25	4.25
China	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35

SELECTIVE OPTIMISM

- Investors shed concerns over widening interest rate differential between Asia and the US.
- Geopolitical risks appear to be easing as South Korea and China mend ties and Sino-US relationship may warm further after Trump’s visit.
- Adjustments to Asian currencies outlook for 2018 will probably be along the line of reduced bearishness vs the USD.

The Asian currencies market has demonstrated a shift from being sensitive to interest rate differentials with the US to reduced expectations that the wider differentials will be meaningful in a sustainable manner. That the latest bout of strength in Asian currencies happened despite a weaker JPY and firmer US Treasuries yield signifies the restoration in confidence for Asian assets. Firmer commodities prices, namely oil, may be a deterrent, but will probably have Asian central banks more tolerant towards some appreciation in Asian currencies in the face of rising risk of supply side price shocks.

There has been perception that the strong performances in Asian equities post-US elections would translate into currency strength, although Fed’s policy normalisation could be a hurdle to the momentum. Chart 1 below shows clearly that while Asian currencies have appreciated this year, they have not fully erased the losses in 2015-2016. Asian equities though, have been on an upward trend this year to record multi-year highs. The CNY devaluation and stockmarket crash in China in 2015 were part of the regional factors that contributed to downward trend in regional FX and that consequently widened the performance gap between equities markets and Asian currencies. We are less optimistic about the prospects of strong appreciation in Asian currencies for the rest of this year. Fed’s policy normalisation aside, portfolio flows data as well as the VIX-ADXY performance also suggests that current Asian currencies levels are aligned with global risk appetite, suggesting that the scope for strong rallies in Asian FX are not expected to sustain.

Trump’s Asia visit

Trump’s visit to Asia has kept trade and investment ties warm, but his rhetoric about “America First” seems to have rankled some as well. North Korea issues were discussed but little progress was made with regards to pressuring China to take a harsher political stance on

North Korea. Trump had, before this trip referred to the United States’ US\$347 billion trade deficit with China as “embarrassing” and “horrible”. However, Beijing appears to have managed to finesse the visit to the extent that Trump declined to blame China for the structural trade surplus.

China – reforms progress hinges on stable growth

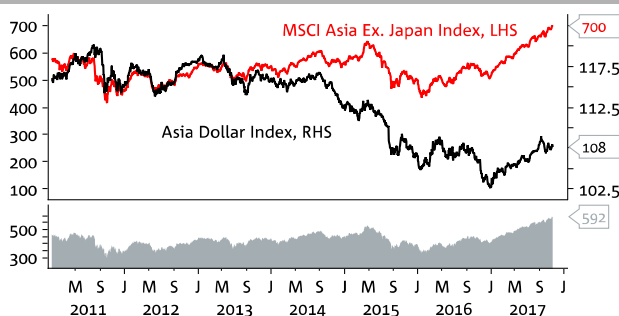
In the meantime, one of the key takeaways from the 19th CPC is China will move forward on reforms. President Xi is also keen to close the strategy-execution gap, so we will probably see more plans put into actions. With regards to financial sector reforms, the pace, extent and momentum will hinge on stable domestic growth and RMB as key backdrop. Immediately after the 19th CPC, PBoC Governor Zhou issued a statement that preventing a systemic financial crisis will be an important task at hand. Reforms and liberalisation is a proactive strategy to prevent systemic risks to the financial system. The report is based on requests from the 19th CPC for the PBoC to "deepen financial sector reforms, strengthen financial services, lift direct investments, increase healthy development of capital markets, balance the monetary policy and fiscal framework and deepen interest rate and FX reforms. As for how to tackle the issues at hand, it could be glimpsed from how he breaks financial risks down into three categories. First, at the macro level, debt is too high. Second, at the micro level, bad loans and defaults are rising – denting confidence in the financial system. Third, there’s growing risks from regulation-dodging shadow banks that cross traditional sector barriers.

2018 – new policymakers in the driver’s seat

The global policy landscape may still be an open verdict in 2018. A new Fed Chairman in the US, and potentially China, means there will be a period of observation and assessment by markets. While Jerome Powell as the new Fed Chairman and even a new PBoC Governor will be a face of continuity rather than a big policy shift, there may be changes in nuances that could potentially trigger some market reactions from time to time.

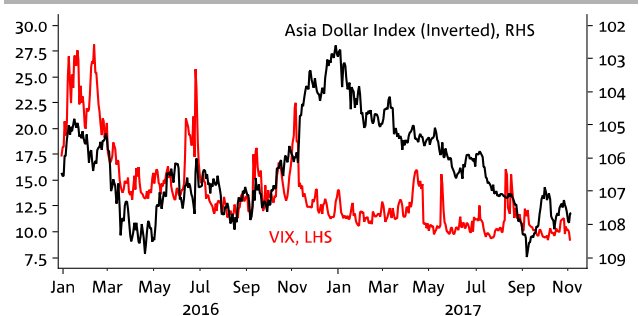
For now, our 2018 forecasts for Asian currencies reflect the view of reduced impact of Fed’s policy normalisation and more confidence about Asia’s external sector performance and overall growth prospects along a global economic recovery. While monetary policy may tilt towards a tightening bias, it will not be done at the expense of stifling growth.

Chart 1: Equities show room for Asian FX strength



Source: National Australia Bank, Macrobond

Chart 2: But VIX suggests otherwise...



Source: National Australia Bank, Macrobond

CHINA SPOTLIGHT:

Tensions reduced as Trump is feted

- US President Trump’s first visit to China has been a relative success, with Beijing successfully getting into Trump’s good books.
- The risk of a trade war has receded further following the visit and the inking of \$250bn worth of trade deals.
- Beijing has removed foreign ownership caps on banks and AMCs but the primary goal is more likely the modernization of the financial sector.

The red carpet pays off

In the end, US President Trump’s visit to Beijing, and Seoul and Tokyo for that matter, turned out to be fairly calm and uneventful. President Xi Jinping wined and dined his US counterpart and Trump’s complaints about China’s trade surplus with the US did not rise beyond the levels previously seen. The provision of “tweetable deliverables” in the form of the ostensible inking of US\$250 billion worth of trade deals will likely further push back any risk of a trade war.

In another key development, Chinese authorities put in place another key plank to help pave the way towards an eventual liberalization of the financial account. Vice Finance Minister Zhu Guangyao announced that foreign ownership ceilings on banks and asset management companies (AMCs) will be removed and foreign firms will be allowed to own up to 51% of in local securities ventures. This will probably not herald an immediate deluge of FDI into the financial sector but it could provide some support for A-shares and H-shares.

Red carpet and trade deals thrills Trump

The charm offensive seems to have done its job with President Trump oft referring to a warm camaraderie with President Xi and even decline to blame China for the structural trade surplus it maintains over the US. While tensions undoubtedly remain, the unveiling of US\$250 billion in business deals with US entities will please the White House, even if it is unclear just how much of that is in new business and how much consists of simply nonbinding memoranda of understanding.

The energy and transportation sectors appear to be the biggest beneficiaries from the trade deal. One of the biggest deals involves an agreement by various companies, including China Petrochemical Corp. to help

develop a US\$43 billion liquefied natural gas project in Alaska. Boeing Co. also came away with a US\$37 billion aircraft order, although some of it is reported to pre-existing.

Overall though, the visit seems to have generated significant political capital for both sides and is likely to some distance towards diminishing any perceived risk of a trade war in the near term. The earliest that this might resurface is probably around middle of 2018 as the mid-term electoral races in the US heat up.

A key reform masquerading as concessions

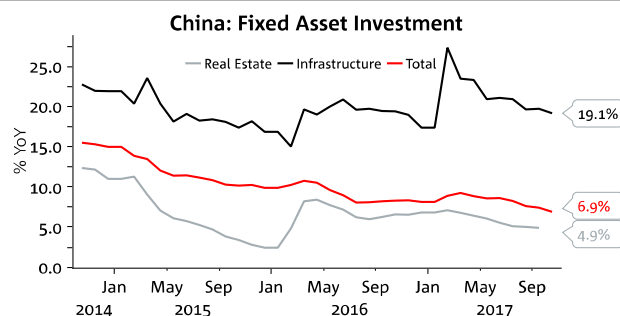
The Chinese authorities announced what we would consider to be a crucial preparatory step towards the eventual goal of financial account liberalization, and perhaps timed it so as to be presented as another concession to the US. Lifting the foreign ownership limit on banks and AMCs is crucial to bringing in more foreign expertise to help modernize the sector and help improve the risk and liquidity management abilities of the banks.

Outgoing PBoC Governor Zhou Xiaochuan had recently flagged this as a key deficiency in the banking sector, with the subtext being that this is a crucial ingredient in making domestic financial sector robust enough to withstand the increased volatility that will come with the removal of capital controls. Domestic banks have long remained as de facto policy banks and depended on the authorities for direction and an implicit guarantee on loans to State Owned Enterprises (SOEs). The authorities will need to cut this cord and foreign risk management expertise will be crucial to the process.

Liquidity likely to continue to remain tight

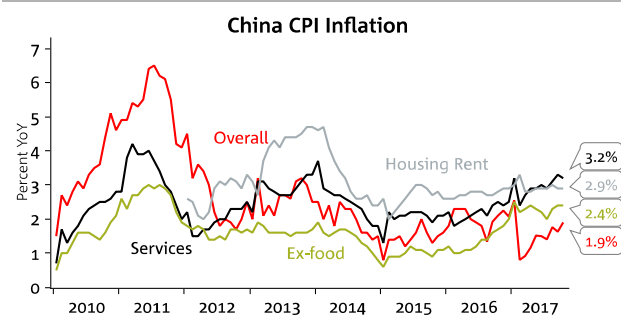
Although not the key constraint on monetary policy, CPI inflation’s acceleration from 1.6% yoy to 1.9% in October will, at the margin, add to the need to keep a tight rein on monetary conditions. The Purchasing Manager’s Indexes (PMIs) though continue to flash warning signs of a slowdown, with both the official ones falling materially in October and the composite Caixin PMI falling slightly. The authorities will thus need to tread lightly with just the pace of deleveraging.

Chart 1: Focus remains on infrastructure



Source: National Australia Bank, Bloomberg, Macrobond

Chart 3: CPI inflation continues to climb



Source: National Australia Bank, Macrobond

KOREA SPOTLIGHT:

The won that keeps winning

- The KRW is almost certain to end the year as the strongest performer in Asia. The KRW has even defied the pressure from portfolio outflows recently.
- Rising rate hike expectations in Korea seen overwhelming geopolitical concerns.
- US President Trump’s visit to South Korea may renew hopes of warmer trade ties.

USD/KRW recovery was brief

USD/KRW has been on a one way street since peaking at 1150, swiftly declining to the key support level at 1110 in early November before forming a base. The KRW looks set to end the year as the strongest performer in Asia. The KRW has even defied the pressure from foreign portfolio outflows recently. The renewed vigour recently could be attributed to a shift in interest rate expectations to price in some early monetary tightening. This was triggered after the October BoK policy decision showed that it was not a unanimous decision to keep the policy rate unchanged. The hawkish language in the policy statement also drove interbank rates in Korea higher as the BoK upgraded Korea’s growth projections. The BoK is of the view that the solid trend of domestic economic growth has continued, as exports and facilities investment have sustained their high rates of increase and private consumption has also picked up moderately. Employment conditions appear to be sustaining their trend of moderate improvement, although the pace of increase in the number of persons employed has slowed somewhat owing to temporary factors. Going forward it is forecast that the domestic economy will maintain its solid trend of growth. The GDP growth rate for this year is expected to be higher than the July projection (2.8%), and that for next year also to show its potential level. Exports seem likely to sustain their buoyancy, thanks largely to the global economic recovery, and domestic demand activities will also recover moderately due to the expansion in fiscal spending for instance.

The BoK seems less concerned about the lack of inflation, expecting headline CPI to gradually approach target level, but without specifying timing. Even though the Korean government has been more sanguine about the impact of Fed’s potential QE tapering on domestic policy decisions, and considered a Dec Fed hike as overly hawkish, markets priced in rate hikes in Korea almost

immediately, and the 3-12M KORIBOR spread widened massively.

Finance Ministry more upbeat on growth

In its latest monthly report, Korea’s Finance Ministry painted a rather upbeat picture on overall growth prospects. Essentially consumption is seen picking up as the economy continues its uptrend due to growing exports and production. The government also expects the economy to stay on a recovery path on exports and the supplemental budget. Other indicators like industrial output has risen for a third month in September on strength of automobiles, ships and petroleum goods. The service industry grew for a fourth month, mainly in the wholesale and retail sectors. Exports grew for a 12th month despite fewer work days in October, thanks to demand for semiconductors, ships and petroleum goods. Employment increased in September as weather conditions improved and the supplementary budget took effect. The finance ministry mentioned risks including global normalization of monetary policy, trade friction and North Korea tensions.

Trump’s visit to Korea has allayed concerns over KORUS

In his first trip to South Korea as president, Trump has surprised markets by toning down his criticism of what he once called a “horrible” free trade deal with South Korea. He says now he will “find a fair and reciprocal” deal after earlier threatening to terminate the pact. That was assuring for investors and also Korean corporates and will probably buttress Korean assets in the near term.

Chart 1: Korea-US spreads may widen further

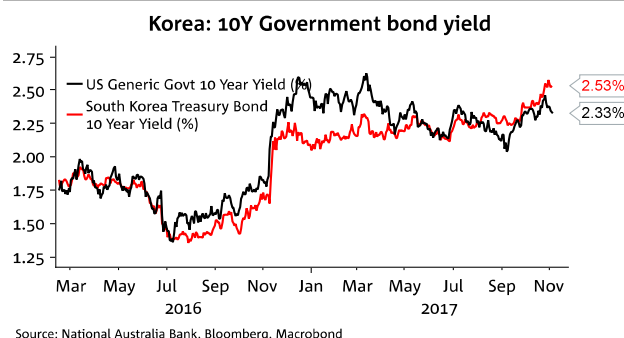


Chart 3: Foreign investors stay invested in Korea

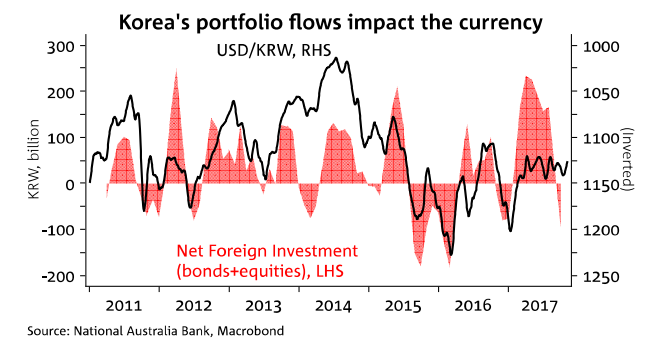
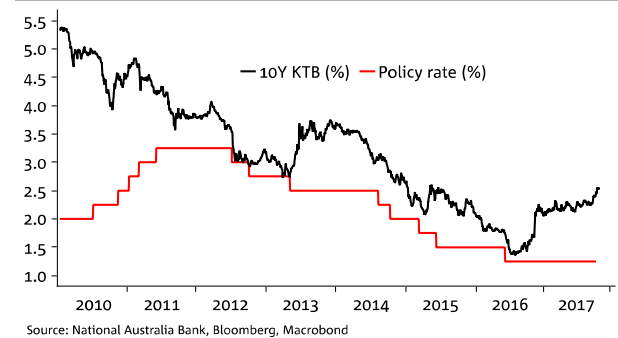


Chart 2: Widening divergence with policy rate



INDIA SPOTLIGHT:

Doubts abound

- The damage from the demonetization measure appears to be fairly enduring and there is little to be done in the near term.
- The government would do well to not panic and instead focus on structural reforms and keep to its existing spending plans.
- Same goes for the RBI, which has run out of room to cut, especially with the US normalizing interest rates.

Picking up the pieces

Flagging economic data and a panicky government response have blemished India’s standing amongst investors. Some have begun to question the government’s ability to maintain its fiscal discipline, given its patchy history on this front. For now though, the government looks like it will be able to keep its panic impulse in check and still meet its fiscal deficit target, which is crucial for keeping INR bonds supported.

The Reserve Bank of India (RBI) also looks to have run out of options to stimulate growth in the near term. Beyond the fact that inflation appears to have bottomed, the weaker growth outlook and continued normalization in US interest rates will incrementally add pressure on the INR and the RBI will want to avoid adding to that, even if India’s balance of payments is now a lot better than when it was one of the Fragile Five.

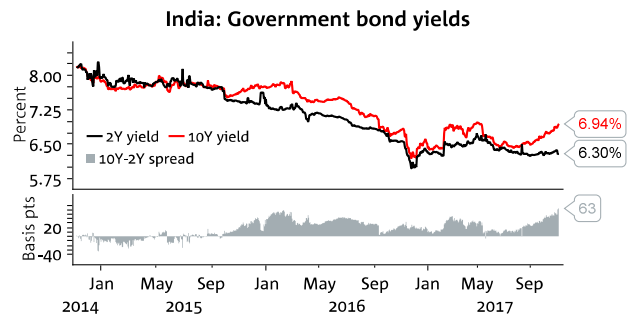
Modi needs to moderate fiscal moves

As the evidence of the severity of the impact of the demonetization measure started to mount, the government appeared to start to panic a bit and institute a slew of handout measures, like loan waivers for farmers. The April- August fiscal deficit has already hit 96.1% of the full FY17/18 deficit target, compared to 76.4% for the previous fiscal year. Although some of this could be due to frontloading of fiscal spending, the underperformance of revenue is also a key contributor and that is the bigger worry.

The bond market seems to have taken note with the 10Y-2Y spread having widened strongly since September, driven almost entirely by the 10Y yield. The chairman of the prime minister’s economic advisory council Bibek Debroy has said that “there is a consensus that the fiscal consolidation exercise shouldn’t be deviated from” but

at the moment there is scant evidence that the market is prepared to take that on faith. As long as the growth numbers continue to flag, it is likely that the 10Y-2Y spread will remain elevated.

Chart 3: Fiscal faith flagging

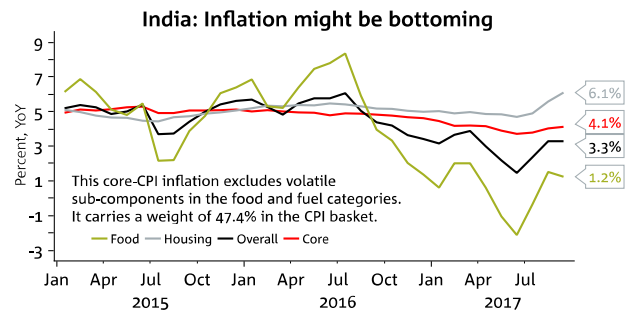


Source: National Australia Bank, Bloomberg, Macrobond

Deficit numbers cause a surfeit of concerns

The reduced likelihood of the RBI being able to cut further will likely lead to increased jitters on both the fiscal deficit, and on growth. This could cause a meaningful weakening in portfolio flows and the INR in turn.

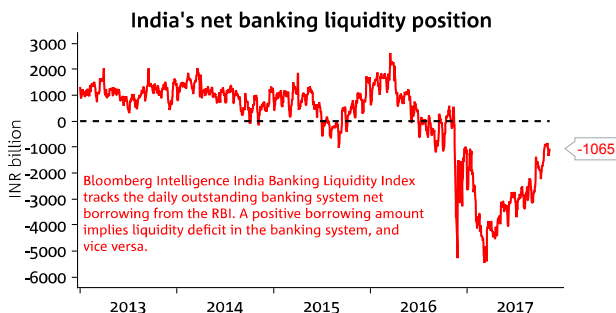
Chart 4: Inflation is a growing constraint



Source: National Australia Bank, Bloomberg Intelligence, Macrobond

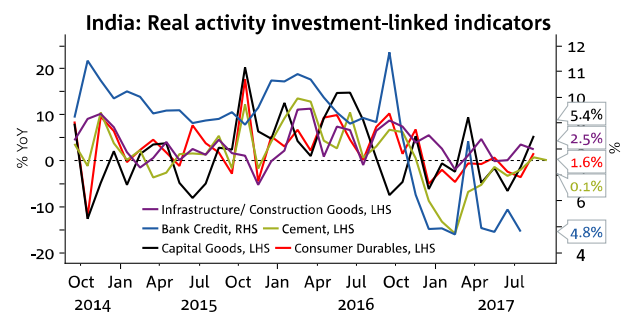
Besides the US Federal Reserve’s consistency finally feeding through to US yields, inflation is providing a domestic reason for the RBI to turn more hawkish. Latest comments from members of its monetary policy committee suggests as much but the market will probably retain some level of doubt for some time.

Chart 1: Excess liquidity drying up



Source: National Australia Bank, Bloomberg, Macrobond

Chart 2: Investment indicators remain weak



Source: National Australia Bank, Macrobond

SINGAPORE SPOTLIGHT:

Kicking the can down the road

- MAS keeps S\$NEER policy band unchanged, citing steady growth and inflation. Softness in the job market was also acknowledged.
- MAS softened the commitment to maintain the current policy for an “extended period”, setting up the likelihood of a hawkish shift in April 2018.
- MAS chief has warned about being vigilant against inflation and the government remains cautious about the property sector.

Sanguine but watchful

The Monetary Authority of Singapore (MAS) maintained the S\$NEER policy band in its current position but did provide a hint that it is considering a move in the near future, probably in the more hawkish direction.

The MAS will probably need some convincing though, will the soft labour market likely to be the main impediment. The big risk of maintaining this neutral policy stance though is that the market’s growth expectations seem to be a bit more bullish than MAS’ rather more tepid outlook.

The government outwardly remains sanguine about the property sector but is at the same time clearly watching it closely and possibly a little nervously.

Less bullish than market

MAS acknowledged that growth has been strong this year fuelled mainly by the strong global economy. The advance estimate of Q3 GDP growth projects 6.3% qoq saar and MAS narrowed its 2017 growth projection to 2.5%-3.0% from 1.0%-3.0%, but projects a moderation in growth in 2018, on the back of softer growth out of China and a slowing global IT output as inventory re-stocking runs its course. This ambivalence towards growth in 2018 could come to the fore in early 2018 and much will depend on how the jobs market shapes up.

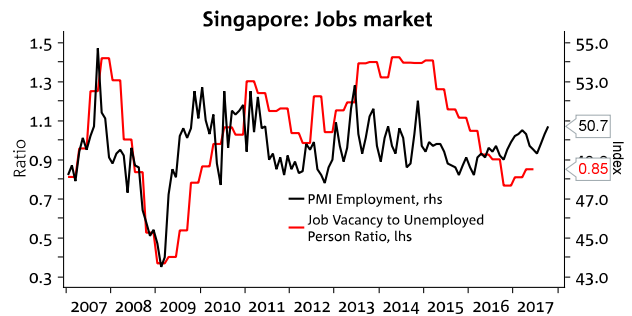
Watching the labour market

We had previously highlighted evidence that the jobs market remains somewhat soft at the margin, with the job vacancy to unemployed persons ratio still stuck below 1.0 and retrenchments still remaining somewhat elevated. Lower resignation levels also indicate that the jobs market is far from tight.

MAS seems to concur, stating that although the labour

market has improved, the “slack that had accumulated will take time to be fully absorbed”, and that “wage pressures are unlikely to accelerate in the near term”.

Chart 3: Jobs market still soft at the margin



Source: National Australia Bank, Bloomberg, Macrobond

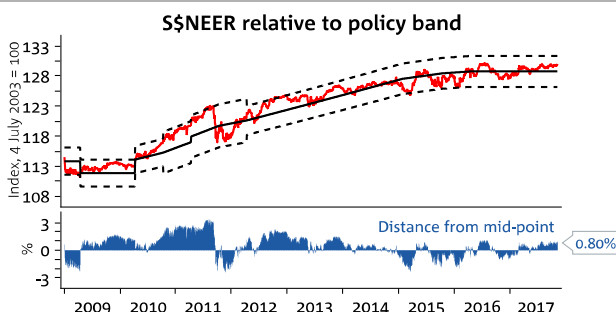
Tightening still very much on the cards

The MAS’ somewhat tepid outlook for growth in 2018 will probably not be too much of an impediment to a hawkish shift in the policy stance in April. Singapore’s goods exports has shifted away from price sensitive electronics, which is the dominant component of the ex-biomedical section of industrial production.

Oddly enough, it might be the property sector, and the risks of foreign inflows that could keep the authorities somewhat cautious. A recent surge in land bids had spurred consternation amongst policymakers and the National Development Minister Lawrence Wong faced questions in parliament. Wong maintained that upside in property prices was limited by a law penalizing warehousing of property inventory.

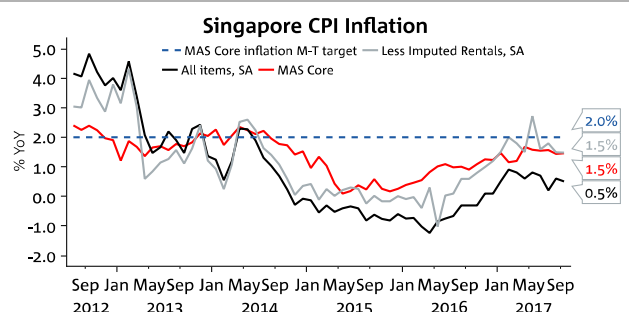
It remains clear though that the government remains wary of risks of another property bubble. Although deterrents to foreign buying remain in place, an outperforming SGD would undermine those barriers so the authorities will likely hold off for as long as is reasonable. For now, the April 2018 meeting looks like the most opportune time for a hike.

Chart 1: S\$NEER hovering in the top half of policy band



Source: National Australia Bank, Bloomberg, Macrobond

Chart 2: Still little pressure from inflation



Source: National Australia Bank, Macrobond

MALAYSIA SPOTLIGHT:

This the season to be worried

- BNM surprised the market and signaled that a hike might come sooner than previously thought on the back of very robust growth.
- The rainy season has shrunk the room in which to hold the next election, which has to happen before August 2018.
- In 2018, BNM will face the tricky task of balancing domestic growth, political risk, and US rate normalization.

BNM’s enigmatic hawkish turn

At its most recent Monetary Policy Committee (MPC) meeting, Bank Negara Malaysia (BNM) rather nonchalantly mentioned that “given the strength of the global and domestic macroeconomic conditions” the MPC may “consider reviewing” the current degree of monetary accommodation.

Curiously, the source of BNM’s discomfort does not appear to be inflation. Core inflation has been fairly flat and in fact has slowed marginally to 2.4% yoy. Headline inflation is at a higher 4.3% yoy, largely due to non-durables inflation at 7.2% yoy. Obviously, the risk here would be second round effects and here we are probably nearer the true source of BNM’s angst. Throughout the statement, BNM emphasised how strong domestic demand was, in particular private consumption. Such conditions could easily cause cost-push inflation to bleed into core before long.

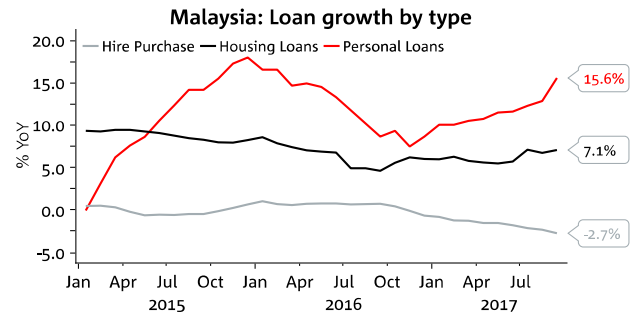
What could complicate matters is the timing of the general elections, most likely to be held in H1 2018. Elections have to be held by August 2018 but the onset of the rainy season, with its attendant risk of floods, means that elections are unlikely to be held in the remaining months of 2017. This potentially leaves the MYR at risk in H1 2018 of a triple threat of slowing domestic growth, political uncertainty, and a deteriorating portfolio account as US yields rise and global growth looks more attractive.

The double edge of consumption and accommodation

Throughout the MPC statement, it was stressed that domestic demand is expected to be the main growth driver in 2018, with consumption the dominant component there. Interestingly, the MPC statement made no mention of how personal loans growth has been accelerating since late-2016, when the rather

generous federal budget sparked a sharp rise in consumption. Inflation is still not reflecting that strong demand with core inflation flat through the year so far.

Chart 3: Debt-fueled consumption looks worrying



Source: National Australia Bank, Bloomberg, Macrobond

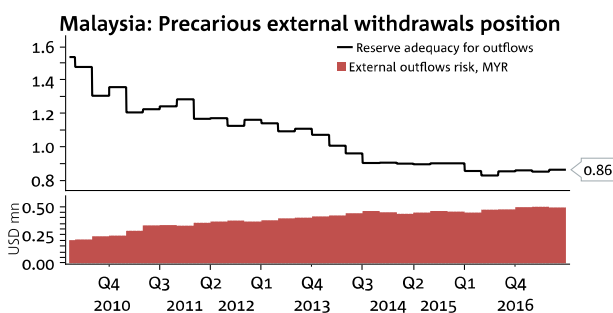
Jostling with the weather

Between the ongoing northeast monsoon and the August 2018, the government is going have call a general election that might prove somewhat fraught. The government will want to avoid calling an election during the flood period, which should last till around January 2018. Between now and August there are four scheduled meetings – January, March, May and July – and ideally, the government would probably prefer that a hike not happen before the elections, which suggests that the hike might only come in May or July.

This timeline suggests that for much of H1, we could see a rise in domestic political risk accompanied by an erosion in the MYR’s already thin carry buffer against the USD, as UST yields start to more fully price in the normalization in US monetary policy.

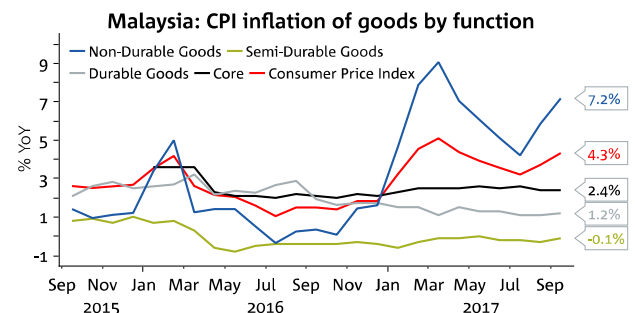
This is when the Malaysia’s rather limited FX reserves might prove to be a binding constraint and the MYR could then lag most of its Asian counterparts. Malaysia’s FX reserves are low regardless of how one measures it. Malaysia has the lowest import cover amongst its EM Asia peers and its FX reserves only amount to 86% of short term liabilities.

Chart 1: Little scope for sustained MYR support



Source: National Australia Bank, Macrobond

Chart 2: Domestic demand hurts net exports



Source: National Australia Bank, Bloomberg, Macrobond

INDONESIA SPOTLIGHT:

Not so fragile but still wobbly

- GDP growth in Q3 was strong all round and driven by strong domestic demand; the government expects this to continue into 2018.
- BI is also fairly sanguine about growth, suggesting that previous rate hikes will still be feeding into the economy in the quarters to come.
- The prospect of a series of US rate hikes and portfolio flows out of EM should mean BI's rate cutting cycle is over.

Stronger growth to the rescue?

As US Treasury yields start to show some signs of life, the IDR has received a strong boost from a very healthy looking Q3 GDP growth number. Aneamic actual growth and the inability to realize its economic potential has long been the country's weak spot, with investment constantly somewhat suppressed by a lack of confidence in the overall policy and political environment.

Q3's GDP number and the votes of confidence by both the government and Bank Indonesia (BI) will prove to be a useful shot in the arm for the IDR as it tries to shed its lingering 'Fragile Five' reputation. That foreigners have net sold Indonesian equities to the tune of USD1058 million over October and early November, compared to USD1865 million, is testament to the fact that investors have turned considerably more jittery.

Nevertheless, Indonesia is in a much stronger state at this point compared to the Taper Tantrum period of 2013. Quite likely, BI will be able to hold the USD/IDR in a 13,200-13,600 even through a period of rising UST yields as the market more meaningfully prices in US interest rate normalization.

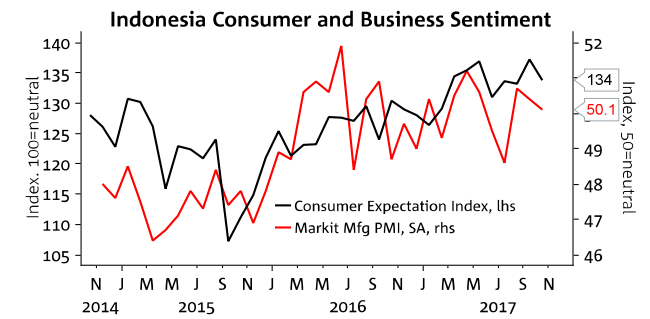
Investment provides a boost

Q3 GDP provided some sign of a revival in investment, as well as net exports. The latter seems to be part of an overall improvement in global demand as well as a sustained rise in commodity prices. The acceleration in investment was the main surprise though, given the fact that the business climate remains somewhat uninspiring.

It remains an open question though whether or not the nascent improvement in investment can sustain, especially given that the government has to remain

cautious in terms of spending. The government is aiming to reduce the budget deficit from 2.92% of GDP in 2017 to 2.19% in 2018. Given that the government is planning to introduce VAT exemptions on several goods, as well as giving a tax holiday and tax allowances in 2018, it is unlikely that there will be much room to increase spending.

Chart 3: Business sentiment still seems tepid

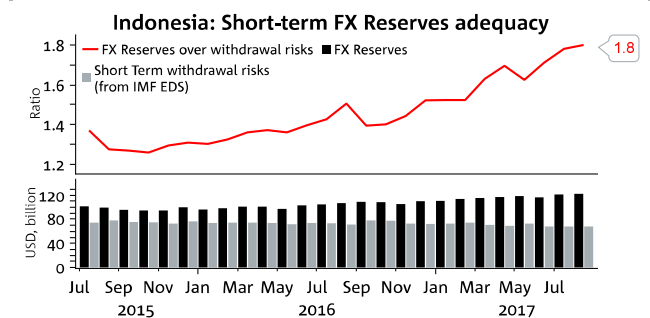


Source: National Australia Bank, Bloomberg, Macrobond

Holding fast in the near term

In the near term, there might be pressure on the IDR from equity outflows. BI though maintains enough FX reserves to cope with short term liabilities.

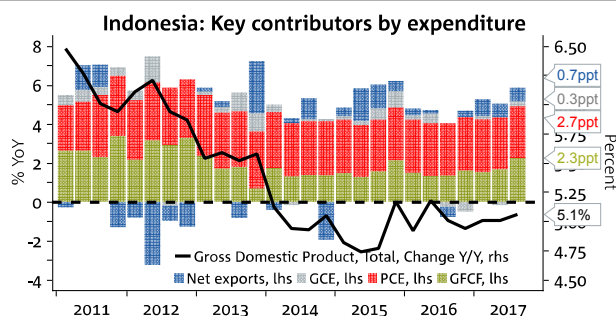
Chart 4: FX reserves adequate against S-T outflows



Source: National Australia Bank, IMF, Macrobond

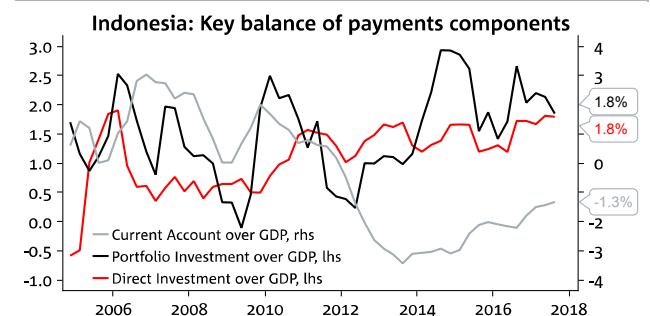
However, with longer dated US yields inching upwards, and the tensions in the Middle East casting a shadow on risky assets, including Indonesian bonds and equities. To reduce the incentive for capital flight, BI will probably indicate that rate cuts are over for now. Hikes though will probably not take place just yet given how the improvement in investment is so nascent.

Chart 1: Domestic demand remains strong



Source: National Australia Bank, Bloomberg, Macrobond

Chart 2: Current account deficit continues to shrink



Source: National Australia Bank, Bloomberg, Macrobond

SELECTED INDICATORS

Table 1: NAB Asian FX Forecasts

	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19		Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19
USD/CNY	6.65	6.67	6.64	6.64	6.62	6.65	6.64	6.65	AUD/CNY	5.19	5.00	4.92	4.85	4.86	4.86	4.92	4.98
USD/IDR	13450	13500	13500	13480	13460	13400	13360	13350	AUD/IDR	10491	10125	9990	9840	9782	9782	9886	10013
USD/INR	65.0	65.3	65.5	65.8	65.6	65.4	65.2	65.0	AUD/INR	50.7	49.0	48.5	48.0	47.7	47.7	48.2	48.8
USD/KRW	1160	1200	1200	1180	1160	1160	1150	1150	AUD/KRW	905	900	888	861	847	847	851	863
USD/MYR	4.25	4.40	4.35	4.35	4.35	4.30	4.25	4.20	AUD/MYR	3.32	3.30	3.22	3.18	3.14	3.14	3.15	3.15
USD/PHP	50.3	50.5	50.0	49.5	49.2	49.0	48.6	48.5	AUD/PHP	39.2	37.9	37.0	36.1	35.8	35.8	36.0	36.4
USD/SGD	1.39	1.41	1.40	1.40	1.40	1.40	1.39	1.38	AUD/SGD	1.08	1.05	1.04	1.02	1.02	1.02	1.02	1.04
USD/THB	34.1	34.5	35.0	34.6	34.5	34.5	34.4	34.3	AUD/THB	26.60	25.88	25.90	25.26	25.19	25.19	25.46	25.73
USD/TWD	30.2	30.2	30.4	30.5	30.6	30.5	30.3	30.2	AUD/TWD	23.56	22.65	22.50	22.27	22.27	22.27	22.42	22.65

Table 2: NAB Key FX Forecasts

		Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19
Australian Dollar	AUD/USD	0.78	0.75	0.74	0.73	0.73	0.73	0.74	0.75
New Zealand Dollar	NZD/USD	0.72	0.70	0.69	0.69	0.70	0.70	0.71	0.72
Japanese yen	USD/JPY	112	116	118	118	118	120	120	120
Euro	EUR/USD	1.19	1.17	1.18	1.20	1.22	1.20	1.20	1.18
British Pound	GBP/USD	1.28	1.27	1.29	1.29	1.28	1.26	1.25	1.24
Swiss Franc	USD/CHF	0.97	0.97	0.97	0.96	0.98	0.98	0.98	0.98
Canadian Dollar	USD/CAD	1.27	1.30	1.31	1.32	1.33	1.34	1.35	1.34
Chinese New Yuan	USD/CNY	6.65	6.67	6.64	6.64	6.62	6.65	6.64	6.65

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

Source all tables: National Australia Bank

CONTACT DETAILS

FX Strategy, Asia

Christy Tan
Head of Markets Strategy/Research, Asia
+852 2822 5350
christy.tan@nabasia.com

Julian Wee
Senior Markets Strategist, Asia
+65 6632 8055
julian.wee@nabasia.com

Markets Research

Peter Jolly
Global Head of Research
+61 2 9237 1406
peter.jolly@nab.com.au

Group Economics

Alan Oster
Chief Economist
+61 3 8634 2927
alan_oster@national.com.au

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