Mizuho Dealer's Eye

May 2019

Mizuho Bank, Ltd.

Forex Department

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U.S. Dollar – May 2019

Expected Ranges Against the yen: JPY109.00–113.00

1. Review of the Previous Month

April marked the start of the new fiscal year, with the dollar/yen pair initially swayed by stock movements on US/China trade talks and the results of economic indicators, though the pair then became deadlocked around 112 yen from mid-April onwards.

The dollar moved firmly the last week of March. This trend continued into April, with the pair surging from the upper-110 yen mark toward 111 yen during Australian trading time on April 1 before kicking off Tokyo trading time moving at 110.99 yen. It then rose to 111.19 yen after a Chinese PMI for March topped 50.0 for the first time in four months. The US then released a better-than-expected Manufacturing ISM Report on Business for March and construction spending indicator for February. With some reports also hinting at new signs of progress when it came to US/China trade talks, the currency pair shot up to 111.44 yen. It was then reported that most problems had been ironed out during US/China trade talks on April 3. Optimism about the talks grew higher on April 4 when a newspaper article said President Trump had announced a date for a summit with Chinese president Xi Jinping. This optimism was bolstered at the weekend by the release of some strong US employment data for March, with the pair bought to 111.82 yen, just below a major barrier.

However, the yen was then bought on bearish global stocks and risk-off movements, so the pair saw some adjustive buying. News then emerged on Monday, April 8 that US Secretary of Homeland Security Kirstjen Nielsen was stepping down, with the prices of crude oil and gold also soaring after President Trump designated the Iranian Revolutionary Guards a terrorist organization. On April 9, the IMF downgraded its outlook for the global economic growth to its lowest level since the financial crisis, with the dollar/yen pair subsequently dropping below 111.00 yen. On April 10, ECB president Mario Draghi gave a weak outlook for inflation. Major European currencies were sold off, with the dollar/yen pair also dragged down by the euro/yen pair to hit a low of 110.84 yen.

It only dipped below 111 yen for a very short time, though, and it soon bounced back. The US PPI data for March then beat expectations, while the new applications for unemployment insurance data also fell to a lower-than-expected level. As a result, US yields rose and the currency pair slipped into bullish mode, despite comments by Larry Kudlow, director of the US National Economic Council, that the FRB might not hike rates in his lifetime. The pair was then bought back to 111.70 yen after Japanese finance minister Taro Aso said Japanese firms were eager to invest in the US, with the pair then climbing to the 112 yen mark on rumors that the EU was considering placing tariffs on US products equivalent to 10.2

billion euros. However, the 112 yen mark was met with demand for yen buying among Japanese real-demand investors, with many overseas investors also holding back from investing over the Easter holidays. The dollar/yen pair then made minor fluctuations. The dollar was sold by overseas investors when Easter came to an end, though the greenback was then bought against the euro, Australian dollar and Canadian dollar, with the dollar/yen pair also pushed back up to the 112 yen range.

2. Outlook for This Month

The main trend this fiscal year will probably be moves by the US to halt its policy of monetary policy normalization for the first time in around 6 years. The sub-heading of the IMF's Global Economic Outlook (released April 2019) was 'Growth Slowdown, Precarious Recovery,' with the IMF shifting its prognosis for the global economy over the next two years. The US will probably not lift rates again, with Japanese/U.S. interest-rate differentials unlikely to widen further. However, though global stocks are moving firmly, corporate profits are gradually starting to peak out and there an emerging discrepancy between corporate performance and stock movements. The current phase of economic expansion is approaching one of the longest in US history, so from the perspective of economic cycles, it seems unlikely the economy will continue to improve much more. The Japanese Golden Week holiday will last 10 days this year as a new emperor ascends to the throne. This is an unprecedently long time, with the new fiscal year set to effectively start when the holidays come to an end in May. As such, the greenback will probably move bearishly straight off the bat in May.

A flow analysis suggests direct foreign investment remains higher than Mizuho Bank's initial prognosis, so there are no signs that yen-selling pressure will ease off. Unlike foreign bond investments, direct foreign investments are hard to hedge usually, so even if risk aversion rises, investors will not simply be able to pull their money out. As such, this yen selling could provide a body blow to the foreign exchange markets. This outflow has averaged 15 trillion yen a year. This of course means that Japan has a lot of investable funds, particularly in its capacity as a society with a shrinking population. This situation is unlikely to change, so it is hard to imagine direct investment tapering off this fiscal year. For this reason and the reasons outlined above, speculators are probably building up their yen short positions, with IMM statistics actually showing an increase in yen short positions. These speculative positions will probably see some unwinding during phases of risk aversion. However, May will mark the start of the new Reiwa era in Japan, so many Japanese market participants (and the authorities) are unlikely to grow more skittish than normal when it comes to bearish stock movements and so on. In the event of a flash crash like the one that occurred on January 3, Japanese investors will probably stand ready to snap up with the dollar. On the whole, the yen will probably edge lower at the start of May, though the dollar/yen pair's topside looks set to grow steadily heavier thereafter.

Dealers' Market Forecast

(Note: These opinions do not necessarily agree with the other contents of this report.)

Bullish on the dollar (5 bulls: 109.00–114.00, Core: 110.00–113.50)

Seki	109.00 – 113.00	Speculative yen short positions have accumulated to high levels, so market participants should be on guard against a rise in volatility and yen buy-backs in the event of any shock event. May marks the start of a new imperial era in Japan, though, so risk appetite looks set to continue overall, with the dollar/yen pair also likely to move strongly on firm Japanese investment flows.
Okamoto	110.00 – 114.00	Business sentiments are deteriorating across the globe, with the fundamentals (including US corporate results) also worsening. US/Japanese trade talks and so on are unlikely to end badly, while risk assets will also be bought as central banks continue to adopt dovish stances, so the dollar/yen pair looks set to continue moving firmly on a bullish cross yen.
Ueno	110.00 – 114.00	Amid concerns of a global economic slowdown, risk remains on the downside. However, fears of a US economic slowdown are receding, with funds flowing to risk assets, so the current moratorium is unlikely to end any time soon.
Harada	110.00 – 113.50	The dollar/yen pair is likely to continue moving firmly on bullish US stock movements and crude oil prices. The pair's volatility has fallen to record low levels, though it seems the pair's downside will gradually edge higher and the pair could shoot upwards as Japanese stock markets also start climbing after a slight lag.
Okuma	110.00 – 113.00	Employment and wages are moving firmly on the US, while fears about another slowdown in consumer spending are also easing off. The US economy is moving firmly compared to Europe (where concerns about an economic downturn are on the rise) and Japan, so the dollar will probably be bought due to a lack of alternatives, with funds continuing to flow into the US.

Bearish on the dollar (5 bears: 108.50–113.00, Core: 109.00–113.00)

Takeuchi	108.50 – 113.00	Market participants may move to price in a US-centered global economic slowdown. US monetary policy also suggests the dollar/yen pair's topside will be capped in the mid- to long-term, though the pair's downside will steadily grow stronger on buying by Japanese investors and so on. A mix of buying and selling will see the pair moving in a range overall.
Kato	109.00 – 113.00	The greenback will not be supported by interest-rate differentials, though the dollar/yen pair will be boosted by direct investment and a celebratory mood at the start of the Reiwa era in Japan. However, US economic indicators are steadily deteriorating, with stock movements starting to diverge from corporate performance, for example, so the pair looks set to trade with a heavy topside going forward.
Mitsuishi	109.00 – 113.00	The FRB will continue to adopt a dovish stance when it comes to the outlook for US monetary policy, so the dollar/yen pair's topside will probably be capped. However, the dollar remains an attractive investment compared to the other major currencies, so the pair will continue to trade in a range overall.
Tamai	109.00 – 113.00	The US economy is moving firmly, but the FRB is unlikely to shift its stance any time soon, with the pair set to move with a heavy topside. Market bets on a rate cut are rising on concerns of a global economic slowdown, so the dollar/yen pair is unlikely to rise beyond its level from last year, when the markets were expected a rate hike.
Moriya	109.00 – 113.00	The FOMC is likely to remain in dovish mode in May, so the greenback will probably not be bought on rising US interest rates. Also, though stocks are moving firmly at present, yen-selling pressure is unlikely to swell sharply given the current concerns about a global economic slowdown.

Mikiko Tamai, Forex Sales, Forex Department

Euro – May 2019

Expected Ranges	**Against the US$: US$1.0900–1.1300**
	Against the yen: JPY121.50–127.00

1. Review of the Previous Month

The euro/dollar pair rose and then fell in April. After opening the month trading at the lower-$1.12 mark on April 1, the pair edged up to the mid-$1.12 mark on some mixed US economic indicators, though it then dropped back. It dipped below $1.12 on April 2 as German interest rates fell, though it was then dragged up by the pound to hit the lower-$1.12 level after news emerged that UK prime minister Theresa May had asked Labour leader Jeremy Corbyn to work with her on Brexit. The pair climbed to $1.1255 on April 3 after a eurozone PMI for March topped expectations. It then tumbled to the lower-$1.12 mark on April 4 on the dovish contents of the minutes to the ECB Governing Council meeting. The pair fluctuated for time on April 5 on the mixed results of the US employment data for March, though it moved in a range overall.

News emerged on April 8 that the ECB was in no rush to revise its policy of negative interest rates, but euro selling lacked momentum and the pair strengthened to the upper-$1.12 level. The pound rose on April 9 on (later-denied) reports that German chancellor Angela Merkel had agreed to place a 5-year limit on any backstop agreement regarding the Irish border, with the euro/dollar pair also pulled higher, though it then dropped back. On April 10, the pair hit $1.1288 in the run up to ECB president Mario Draghi's press conference, though the euro then moved bearishly across the board after Mr. Draghi talked about the ongoing weakness of inflation, with the ECB president also mentioning that the ECB would discuss whether measures were needed to mitigate the side effects of negative interest rates. As a result, the euro/dollar pair crashed to the lower-$1.12 mark. However, it continued to move erratically to bounce back to the upper-$1.12 mark on falling US interest rates. On April 11, it was announced that the Brexit deadline had been extended to the end of October, though the impact on the pair was minimal. The dollar was then bought and the pair fell slightly on rising US interest rates. The euro/yen pair saw buying on April 12, with the euro/dollar pair also rising. With Chinese economic indicators then improving, the euro/dollar pair hit a monthly high of $1.1324.

The euro/yen pair was sold on April 15 in tandem with sliding stock markets, with the euro/dollar pair also pulled down to the upper-$1.12 level. The pair fell to the upper-$1.12 mark on April 16 on reports that some ECB officials were skeptical about the ECB's optimistic economic outlook, though the pair was bought back on reports that the ECB lacked enthusiasm when it came to rate cuts and sub-zero tiering. However, it then dipped back to the upper-$1.12 mark on growing uncertainty about Brexit. It hit a monthly high of $1.1324 for a time on April 17 as risk appetite grew on some bullish Chinese indicators. The pair then fell to the upper-$1.12 mark after the German government downgraded its growth forecast for 2019. On April 18, several countries released worse-than-expected PMIs for April, with the euro/dollar pair subsequently crashing from $1.13 yen to the lower-$1.12 level. With trading thin over the Easter holidays, the pair edged higher on April 19.

On April 22, the US government announced a total ban on imports of Iranian crude oil. This saw the dollar weakening against commodity currencies, with the euro/dollar pair also rising. Dollar buying intensified on April 23 amid a dearth of any noteworthy factors, with the pair temporarily dropping below $1.12. The benchmark German 10-year bond yield dipped into negative territories on April 24 on the release of a worse-than-expected German economic indicator. This saw the pair sliding to $1.1141, a monthly low and its lowest point in 2019, before eventually closing at the mid-$1.11 level.

2. Outlook for This Month

The euro/dollar pair is expected to trade with a heavy topside in May.

The eurozone’s economic indicators remain noticeably weak. A number of the March PMIs released in April fell below market expectations, with the German Manufacturing PMI in particular remaining below the 50 mark dividing expansion from contraction. The German economy is now slowing after having previously propelled the eurozone economy, with the German government also downgrading its 2019 growth forecast from 1% to 0.5%. Several eurozone Services PMIs and indicators (like the industrial production data) had shown signs of recovery entering 2019, but the worse-than-expected results of the March PMIs suggests the eurozone economy is continuing to slow at a faster pace than expected, with risk sentiments deteriorating when it comes to the eurozone. Though the ECB had downgraded its economic growth forecast at its previous meeting, reports suggest ECB officials think the forecast for a growth recovery in the latter half of the year is too optimistic. As such, it will remain hard for the ECB to move towards normalization, with monetary policy likely to be kept unchanged for a prolonged period. The FRB has also adopted a dovish stance when it comes to monetary policy, so the euro and dollar are both hard currencies to buy, but the economic indicators suggest the US economy is healthier, so the euro/dollar pair will probably move with a heavy topside.

The European Parliament will also be holding elections over May 23–26. These take place once every five years, but with populism on the rise across the world, the elections are attracting even more attention this time, with the pair likely to be swayed by related headlines. The pair’s topside is also likely to grow heavier on concerns about the EU system. If a Brexit withdrawal deal is not ratified before then, the UK will be asked to participate in the elections. Markets fears have been assuaged now the Brexit deadline has been extended to the end of October, so the dollar/yen pair is now less likely to be swayed by Brexit trends. Nonetheless, eurosceptic factions could gain more seats in the European parliamentary elections, so the pair will probably move heavily whatever happens.

Dealers' Market Forecast

(Note: These opinions do not necessarily agree with the other contents of this report.)

Bullish on the euro (1 bull: 1.1000–1.1400, Core: 1.1000–1.1400)

Kato	1.1000 – 1.1400	As political risk declines and speculative attempts on the euro/dollar pair's downside ease off, the euro will probably be bought on Europe's trade surplus due to a lack of any other alternatives.

Bearish on the euro (9 bears: 1.0800–1.1400, Core: 1.0900–1.1300)

Takeuchi	1.0900 – 1.1300	The eurozone's fundamentals (the political/economic situation and monetary policy) suggest that any euro buying will be capped. The risk lies in some quick selling to lock in profits or some position adjustments if the markets rush to price in a euro slide.
Seki	1.0900 – 1.1300	German business confidence indicators remain at lows, with the Q1 GDP growth data likely to slide on its release this month. At this moment in time, only a few items have been hit by tariffs, but trade frictions between the EU and the Trump administration could intensify, so caution will be needed.
Mitsuishi	1.0800 – 1.1300	The eurozone economy continues to slow, while the Brexit deadline has also been extended, so there is a risk the situation could grow more tumultuous from here on. As such, the euro/dollar pair will probably trade with a heavy topside from here on.
Okamoto	1.0800 – 1.1400	Though consumer spending is moving firmly in the eurozone, the industrial production and export data is performing weakly. With business confidence also in the doldrums, the ECB is expected to shift further into dovish mode this month. Though there is no difference in the stances of the FRB and ECB, there is clear difference when it comes to US and eurozone fundamentals, so the euro/dollar pair is likely to enter into a Goldilocks phase with a propensity for euro selling.
Ueno	1.0900 – 1.1300	There is a clear difference in the strengths of the US and European economy. With political risk also smoldering away, investors are unlikely to actively buy the euro. As such, the euro/dollar pair looks set to continue moving bearishly.
Harada	1.0800 – 1.1300	With eurozone economic indicators moving bearishly, the euro/dollar pair's topside has edged lower since the turn of the year. The Brexit situation is up in the air and there are also clouds above the German economy, so the pair's room on the topside will be capped.
Tamai	1.0900 – 1.1300	The eurozone economy may have bottomed out, but the German economy is now slowing after having previously propelled the eurozone economy. The US economy is moving firmly by comparison, so the euro/dollar pair looks set to move bearishly. Furthermore, if news about the rise of populism flares up in the run up to the European parliamentary elections, this could act to weigh down the euro.
Moriya	1.0900 – 1.1300	The economies of Germany and other eurozone nations are noticeably slowing, with the ECB likely to delay the normalization process substantially. Concerns about Brexit will probably rise in the run up to the European parliamentary elections, so the euro/dollar pair looks set to continue trending lower.
Okuma	1.0900 – 1.1300	There were hopes the European economy would get a boost from the Chinese economic recovery, but key German economic indicators are moving sluggishly and there are growing concerns that the ECB will incline further in a dovish direction. Though the US economy is moving firmly, concerns are growing about a European economic slowdown, with the euro/dollar pair set to move bearishly this month.

Taihei Yamamoto, Europe Treasury Department

British Pound – May 2019

Expected Ranges	**Against the US$:**	**US$1.2500–1.3000**
	Against the yen:	**JPY140.00–145.00**

1. Review of the Previous Month

The pound/dollar pair opened April trading at $1.30. It was swayed by Brexit news at the start of the month, but with the Brexit deadline pushed back and the UK parliament embarking on an 11-day Easter holiday, the pair only made minor fluctuations on the whole.

The mixed news regarding the Brexit issue led to the release of some quite good and quite bad economic indicators in April, though the impact on the markets was extremely muted. First up was the UK Manufacturing PMI for March. At 55.9, the Stocks of Finished Goods indicator renewed a record high, for example, with UK corporate inventories swelling at a record pace in the run up to Brexit, so the PMI hit 55.1 (expectation: 51.2) for the first time since February 2018. As for the employment data, average hourly wages grew by 3.5% y-o-y (expectation: 3.5% y-o-y). This represented the fastest pace of growth since mid-2008. This suggested that firms were shifting more toward new hires rather than long-term capital investment amid uncertainty about the Brexit situation. At 49.7, the UK Construction PMI for March remained below 50 for the second straight month for the first time since August 2016, directly after the Brexit referendum, with UK Services PMI for March also hitting 48.9 (expectation: 50.9), its lowest level since July 2016. The data pointed to the negative impact of Brexit, with the commercial real estate sector posting its largest slowdown since September 2017, for instance.

An extraordinary EU heads of state meeting on April 10 reached an agreement to push the Brexit deadline back to October 31. UK prime minister Theresa May then announced she would work with the Labour Party to formulate a withdrawal deal. This led to calls for her resignation from hardline Brexiteers in the Conservative Party. With a UK newspaper then announcing that talks with the opposition Labour Party were getting nowhere, the pair fell to a monthly low of $1.2879. With regional elections looming on May 2 and European parliamentary elections on May 23, the Conservative Party's approval ratings plunged and this led to growing criticisms that Mrs. May was not fit to be leader.

2. Outlook for This Month

The key date this month will be May 2. This day will firstly see the release of the UK Manufacturing PMI for April. Last month saw an indicator about finished parts inventories hitting a record high for the third month in a row, but the data was pushed up by the postponement of the Brexit deadline, so there are concerns about a potential backlash due to inventory clearances. The results and minutes to the Bank of England's Monetary Policy Committee (MPC) meeting will also be released on May 2, as will the BOE's Quarterly Inflation Report. The last report saw the inflation forecast for 2019 lowered from 1.7% to 1.2%, the largest downgrade since the Brexit referendum. This also marked the lowest forecast since the financial crisis. The global economy is slowing, while the markets are not happy about the prolonged uncertainty regarding Brexit. With corporate investment and housing construction also set to slow, attention should be paid to the BOE's stance from here on. The forecast for the next rate hike might also be pushed back given the extension to the Brexit deadline. Wages are growing at the fastest rate since mid-2008, so if uncertainty about Brexit is removed, this could lead to disappointed selling by investors expecting the BOE to lift rates.

When it comes to Brexit, most attention should be focused on talks with the main opposition Labour Party. The situation remains completely deadlocked, with Mrs. May insisting cooperation between the ruling and opposition parties is the only way to break out of the impasse. The Labour Party is probably more amenable to cooperation than hardline Brexiteers in the Conservative Party, but there is an undeniable sense that Mrs. May has chosen this option due to a lack of any alternatives. Mr. Corbyn's left-wing Labour Party is completely at odds with the Conservative Party, politically speaking, so talks will lead to growing fears of a Tory split and moves to remove the prime minister. According to a UK newspaper, the 1922 Committee, a body composed of Conservative Party MPs in the House of Commons, will ask Mrs. May to step down at the end of June. Mrs. May won a vote of confidence at the end of 2018. Party rules state that another vote of confidence cannot be held until one year has passed since the last vote, but the newspaper suggests Conservative Party bigwigs will look into amending this rule. Bookmakers say there is an 80% chance that the prime minister will step down within the year.

In the UK, there is talk that Nigel Farage's new Brexit Party might win the most UK seats in the European parliamentary elections, but there is still uncertainty about whether the UK will actually take part in these elections. If the Tories and Labour manage to reach a withdrawal agreement that gets ratified by the third week of May, the UK will not have to take part. The UK might also opt for a No-deal Brexit on June 1 without taking part in the elections.

Naohiko Harada, Sydney Office, Asia & Oceania Treasury Department

Australian Dollar – May 2019

Expected Ranges	**Against the US$:**	**US$0.6920–0.7220**
	Against the yen:	**JPY77.50–80.50**

1. Review of the Previous Month

In April the AUD/USD pair jostled up and down around $0.71.

After approaching April trading around $0.71, the pair then fell sharply to around $0.7080 in the wake of the Reserve Bank of Australia (RBA) board meeting on April 2. The accompanying statement contained no major changes, but it mentioned sluggish GDP, with the forecast also being downgraded, so the statement was read as dovish. The budget proposal for the next fiscal year (July 2019–June 2020) was also released on the same day. It pledged to spend AUD100 billion on roads and other infrastructure while also calling for income tax cuts for middle and low earners. This was more stimulative than expected, though the pair's reaction was muted. This pair's slide continued during European and US trading time and it dropped temporarily to around $0.7050. However, it then bounced back to the $0.71 range after the Australian retail sales data for February (released April 3) significantly beat market expectations to hit +0.8% m-o-m. China then released some bullish indicators, while US/China trade talks also showed signs of progress, with the pair floating around $0.71. In a speech on April 10, Guy Debelle, deputy governor of the RBA, said that consumption growth was far more muted than expected, though he also said leading indicators pointed to ongoing firm employment growth. He also reiterated that the RBA would continue to monitor the employment and GDP data. This speech was seen as less dovish than expected. As a result, the pair rose to around $0.7170.

China released some firm trade-related data on April 12. With stock markets also moving firmly, the pair's topside rose to $0.7190, though this level also marked its 200-day moving average curve, so it then moved heavily on the topside due to technical reasons. The minutes to the April RBA meeting were released on April 16. They revealed that the board had discussed appropriate scenarios for rate cuts. This dovish headline saw the pair tumbling to $0.7150. However, with stocks and interest rates then rising during US trading time on the same day, the pair rose back to around $0.7170. The New Zealand dollar was sold on April 17 on some bearish Q1 New Zealand CPI data, with the Australian dollar also sold for a time too, but with the Chinese GDP data and other indicators significantly beating expectations, the pair rose to the $0.72 range. Australia then released a bullish March unemployment rate on April 18, with the pair testing $0.72, though it then moved with a heavy topside to trade in the $0.71 range. However, with Australia then posting some worse-than-expected 1Q CPI data on April 24, the pair tumbled to around $0.7040 in tandem with falling interest rates.

2. Outlook for This Month

In May, the AUD/USD pair looks set to continue floating around the lower-$0.70 mark. The pair rose in the first half of April on firm stock movements and bullish Australian retail-related indicators, though it fell over the latter half of the month on some bearish Australian CPI data. The RBA continues to strike a broadly neutral stance, with the possibility still open for both rate cuts and rate hikes, but it has downgraded its GDP forecast, while the minutes to the RBA board meeting also revealed that the board had discussed scenarios for rate cuts, as mentioned above, so it seems the RBA has shifted slightly in a dovish direction. Together with the weak CPI data, this suggests a rate cut is steadily growing more likely.

The currency pair is moving in a range, but the RBA insists it will continue to monitor the economic indicators and so on, so the pair's movements could grow more erratic from here on depending on the release of major economic indicators. As RBA deputy governor Guy Debelle's speech in April showed, there is a gap between slowing economic growth and a healthy labor market, with the RBA indicating it will consider how to close this gap when setting policy rates, so particular attention will be paid to employment indicators from here on. As expected, the Australian March unemployment rate (released in April) hit 5.0%, though the details pointed to ongoing improvements when it came to the number of full-time workers, for example, with RBA monetary policy not shifting as far in the direction of rate hikes as the markets had hoped.

Even if some positive domestic or overseas factors emerge, the pair's rise will be capped and it will probably trade with a heavy topside. The pair's movements will continue to be swayed by whether a further rate cut looks more likely in Australia or the US. With easing policies continuing to sweep the globe, neither country is likely to see the emergence of any decisively negative factors, so on the whole it seems the pair will continue to trade at its current level.

Attention will also focus on the Australian federal elections, scheduled for some time around May 18. In April, the ruling party announced a budget proposal for the next fiscal year that included a large dollop of stimulus measures. Since then, the gaps in the polls have narrowed, though the Labor Party still seems to have a small lead over the conservative coalition. The markets have not fully factored in a victory either way, so the currency pair could swing lower if the Labor Party wins or higher if the conservative coalition scores a victory.

Junichiro Miki, Canada Office, Global Markets Coordination Department

Canadian Dollar – May 2019

Expected Ranges	**Against the US$:**	**C$1.3100–1.3600**
	Against the yen:	**JPY81.00–86.00**

1. Review of the Previous Month

There were no major events in April, with the USD/CAD pair floating in an extremely narrow range between C$1.33–1.34 until the Bank of Canada (BOC) met to set policy rates on April 24. The Canadian dollar weakened on the day of the meeting, with the pair temporarily breaching C$1.35 to hit a monthly high of C$1.3521. It had earlier hit a monthly low of C$1.3275 on April 17.

The USD/CAD pair entered April trading at the mid-C$1.33 mark. The Canadian employment data for February was released on April 5. The net change in employment figure posted a loss of 7,200 jobs, down on market forecasts, with the pair hitting the C$1.34 mark for a time on this lackluster result.

However, WTI crude oil prices recovered to $60 mark/barrel at the start of the month and it continued to move firmly thereafter. This supported the Canadian dollar, with the pair subsequently dropping back to C$1.33 whenever it hit C$1.34.

The Q1 Business Outlook Survey was released on April 15, with the Canadian dollar sold on the unimpressive result. The Canadian CPI data for February was also released on April 17 and this led to Canadian-dollar buying, with the pair then dipping temporarily to a monthly low of C$1.3275.

After the Easter holidays, the Canadian dollar was supported when WTI crude oil prices topped $65/barrel on April 22 after President Trump toughened sanctions on Iran.

The BOC held its closely-watched meeting to set policy rates on April 24. As expected, it kept the policy rate fixed at 1.75%, but the accompanying press release stated that the BOC judged that "an accommodative policy interest rate continues to be warranted," with the 'neutral range' phrasing of previous press releases now absent. Though this was broadly was expected, the Canadian dollar was sold on a sense that rate hikes had come to an end, with the USD/CAD pair temporarily topping C$1.35. In his subsequent press conference, though, BOC governor Stephen Poloz said a rate hike was more likely than a rate cut going forward. This stance was slightly at odds with the press release, so the Canadian dollar's movements became less bearish, with the pair trading at the upper-C$1.34 mark as of 4pm Toronto trading time on April 24.

2. Outlook for This Month

The USD/CAD pair's movements have essentially been unchanged since March. The FRB and other

central banks around the world are shifting monetary policy in a dovish direction. A global economic slowdown has also been factored in to a certain extent, so there is a risk of rate cuts in the latter half of the year. Though composure is returning when it comes to crude oil prices and the spread with crude oil produced in Canada, it will probably take time for the markets to recover from the shock last autumn, with the contents of the Q1 Business Outlook Survey (released in April) also quite bearish.
Market participants will continue to monitor economic indicators, though the emergence of some game-changing results still seems unlikely, so on the whole the USD/CAD pair looks set to continue trading at the lower-C$1.3 mark.

Yasunori Shimoyama, Seoul Treasury Office

Korean Won – May 2019

Expected Ranges	**Against the US$:**	**KRW1,130–1,170**
	Against the yen:	**JPY9.479–9.852 (KRW100)**
		(KRW10.150–10.550)

1. Review of the Previous Month

The USD/KRW pair floated between KRW1130–1140 in April.

It opened the month trading at KRW1134.80. A Chinese PMI for March (released March 31) and the Caixin Manufacturing PMI (released April 1) both topped the key 50 mark. These strong results saw the USD/KRW pair dipping to a monthly low of KRW1131.10 on April 1. However, it rallied at this level as real-demand investors and speculators bought on the dip. The won was bought for a time on April 3 on news that most of the major hurdles in the way of a US/China trade deal had been cleared, but this did not become a new trend, so the pair continued trading in a range around KRW1130.

It rose to around KRW1140 on April 8 as speculators unwound their position adjustment orders, for example. It then hit a monthly high of KRW1144.90. Thereafter, it floated from the lower- to the mid-KRW1140 level. The won was then bought by real-demand investors, though. The Chinese trade data for March was released on April 12, with export growth up sharply on the previous year, while data related to credit conditions in China also saw a larger-than-expected uptick for March. All this saw the pair falling to the lower-KRW1130 mark toward April 15.

However, there was strong demand for buying on the dip at this level. On April 17, China released some bullish Q1 GDP data and some strong retail sales and industrial production figures for March. Nonetheless, won buying was short-lived. These firm movements continued thereafter. Amid a dearth of any major factors, the dollar was bought and the won sold on April 24, with the currency pair breaking above the KRW1150 barrier to hit a high of KRW1150.90.

Incidentally, the Bank of Korea (BOK) Monetary Policy Board kept policy rates fixed when it met on April 18, though it downgraded its GDP and inflation outlook for 2019, with the accompanying statement also shifting in a slightly more dovish direction. In his press conference, the BOK governor insisted that the next move could be a rate hike or a rate cut, but with the dovish revision failing to shift the markets, it seems the markets are expecting the next move to be in an accommodative direction.

2. Outlook for This Month

The USD/KRW pair is expected to move firmly in May.

The pair's movements in April were somewhat strange. There were signs of progress when it came to US/China trade talks, while China also released a number of bullish economic indicators, but a won-buying trend did not emerge. Instead, the pair was instead supported at the lower-KRW1130 mark and it then topped KRW1150 on April 24. It seems the pair broke out of its range in April, with the pair also confirming its firmness around KRW1130 last month. This was due to a propensity for buying on the dip at the lower-KRW1130 level, for example, with the US also releasing some comparatively-strong economic indicators.

Based on the above, it seems the pair will move firmly on the whole in May. The central banks of the US and South Korea have both shifted in a dovish direction, but the fundamentals and the policy rate gap between the two nations suggests speculators are more likely to build up dollar long positions. South Korea has a trade surplus and a current account surplus, so the pair's topside will be held down by real-demand buying. As such, the pair is unlikely to undergo a one-sided rise, though it will probably trade with upward momentum.

However, it could also float in a range, so market participants should remain vigilant for movements in an upwards or a downwards direction. For example, if some concrete resolution is reached when it comes to US/China trade talks or if the Chinese economy shows ongoing signs of bottoming out, this could see the pair breaking below KRW1130 to head towards KRW1100, so investors should remain on guard.

Yuji Miura, Taipei Treasury Office

New Taiwan Dollar – May 2019

Expected Ranges	**Against the US$:**	**NT$30.70–30.95**
	Against the yen:	**JPY3.50–3.70**

1. Review of the Previous Month

In April, the USD/TWD pair continued to trade in a narrow range around TWD30.8.

It opened the month trading at TWD30.785 on April 1. The greenback was then sold and the Taiwan dollar bought as more overseas funds flowed into Taiwanese stock markets on bullish stock movements. During overseas trading time, the US released some strong retail sales data for February and a healthy Manufacturing ISM Report on Business for March, with US interest rates then rising. As such, the trend switched on April 2, with the US dollar now bought and the Taiwan dollar sold, so the currency pair strengthened to TWD30.845. However, more exporters sold the greenback during this phase of Taiwan-dollar bearishness, so the pair then moved with a heavy topside. Market participants also held off from any active trading in the run up to the Qingming Festival holiday, so the pair moved without a sense of direction at the lower-TWD30.8 level.

The markets then reacted warmly when Chinese president Xi Jinping said major progress had been made during US/China trade talks, with the two sides moving closer to agreeing on a trade deal. The US dollar also moved firmly after the US employment data for March posted a better-than-expected nonfarm payroll result. As a result, the greenback was bought and the Taiwan dollar sold on April 8, after the Qingming Festival holiday and with overseas markets off for Easter. The pair then edged up to the upper-TWD30.8 mark toward mid-April as stocks fell and overseas funds subsequently fled out of Taiwanese stock markets.

With US interest rates rising entering the latter half of the month, the US dollar was bought and the currency pair hit a high of TWD30.890 on April 17. Exporters then sold the US dollar, though, while more overseas funds flowed into Taiwanese stock markets, so the Taiwan dollar was bought again and the pair dropped back to the lower-TWD30.8 range. It rallied to the mid-TWD30.8 mark on April 22. With no new factors emerging, though, there were no attempts on the pair's topside and it continued moving without a sense of direction.

2. Outlook for This Month

The USD/TWD pair is expected to move with a heavy topside in May.

A glance at the economic indicators released in April shows the March export amount falling by -

4.4% y-o-y. Exports moved sluggishly on concerns of a global economic slowdown and uncertainty about US/China trade talks, with exports posting negative growth for the fifth month in a row. As with February, the breakdown saw the figure pulled down by key exports of electronic parts, which dipped by -7.2% y-o-y, with the total amount also sliding when exports to China and Hong Kong (which account for over 40% of all Taiwan's exports) slumped by -11.2% y-o-y. The export slide over January–March was not as bad as the Ministry of Finance (MOF) had predicted, though the MOF's forecast remains cautious, with attention focused on whether a recovery will take place. At +0.58% y-o-y, the CPI data for March grew at a slightly fast pace compared to February (+0.23% y-o-y). Though food prices had risen, the overall figure was pushed down by the falling price of transportation and communications.

Attention in May will focus on whether Taiwanese stocks will continue to climb. The stock markets reacted warmly when the FRB shifted into dovish mode after the March FOMC meeting, with US stocks (the S&P500) renewing a record high for the first time in eight months. Taiwanese stocks have also moved firmly as a result, with the Taiwan Capitalization Weighted Stock Index approaching 11,270.18 points, its high from January 2018. This risk-on flow is likely to lead to rising US interest rates and a renewed focus on the possibility that the FRB might start hiking rates again. If this scenario looks likely and stocks continue to move bullishly, overseas funds look set to continue flowing into Taiwanese stocks. These inflows will probably lead to Taiwan-dollar bullishness, with the USD/TWD pair expected to trade with a heavy topside in May too.

Ken Cheung, Hong Kong Treasury Department

Hong Kong Dollar – May 2019

Expected Ranges	**Against the US$:**	**HK$ 7.8300–7.8500**
	Against the yen:	**JPY 13.90–14.40**

1. Review of the Previous Month

Hong Kong dollar spot exchange market in April

In April, demand for the Hong Kong dollar for the end of the quarter remained vigorous as a result of the growing demand for Hong Kong stocks. Therefore, the Hong Kong dollar interest rates unexpectedly rose in April, leading the U.S. dollar/Hong Kong dollar exchange rate to rise from HKD 7.85—the lower end of the fluctuation band—to HKD 7.8305. Needless to say, the rise of the Hong Kong dollar interest rates was also caused by the fact that the checkable deposit balance of the HKMA decreased to HKD 54.47 billion, lowering the liquidity level in the Hong Kong dollar market. As the Hong Kong dollar liquidity level declined unexpectedly in the market, market participants were encouraged to unwind their positions in U.S. dollar-buying/Hong Kong dollar-selling carry trades. Stop-loss orders in the foreign exchange market accelerated the above trend to buy the Hong Kong dollar, leading the Hong Kong dollar to appreciate sharply against the U.S. dollar to the HKD 7.83 level. Thereafter, market participants sold back the Hong Kong dollar, and the U.S. dollar/Hong Kong dollar exchange rate returned to HKD 7.845. As the Hong Kong dollar liquidity level declined, the one-year Hong Kong dollar forward rate rose from –670 points to approach –400 points, falling again to approach –500 points thereafter.

Hong Kong dollar interest rate market in April

The liquidity level of the Hong Kong dollar surprisingly tightened after the end of the quarter. While the Hong Kong stock market remains robust, demand for the Hong Kong dollar increased for the purpose of buying Hong Kong stocks. As a result, short-term Hong Kong dollar interest rates rose, leading the overnight Hong Kong dollar HIBOR to reach its highest level since the beginning of the year, at around 3.34%. The gross interest rate, which indicates the overall procurement cost of the Hong Kong dollar, indeed rose from 0.80% to 0.82% in April, which is proof of growing demand for Hong Kong dollar procurement. The one-month and three-month Hong Kong dollar HIBOR also rose to 1.9% and 2.0%, respectively. The Hong Kong dollar HIBOR-U.S. dollar LIBOR spread narrowed to –50 basis points and –60 basis points for the one-month rates and the three-month rates, respectively. With regard to long-term interest rates, the three-year and five-year Hong Kong dollar IRS interest rates rose to 2.1% and 2.2%, respectively, following the rise of the U.S. dollar IRS interest rates, as market participants saw it less likely for the Federal Reserve Board (FRB) to cut the interest rate in April.

Hong Kong stock market in April

The benchmark Hang Seng Index (HSI) continued appreciating, as has been the case since the beginning of the year, reaching a level above 30,000. Chinese A stocks continued to be robust, and the risk sentiment surrounding the Hang Seng Index improved, thanks to the optimism about the trade negotiations between the U.S. and China, leading to an increase in demand for the Hong Kong dollar.

2. Outlook for This Month

Hong Kong dollar spot exchange market in May

In May, the U.S. dollar/Hong Kong dollar exchange rate is forecast to fluctuate within a range of HKD 7.83–7.85. The interest rate differentials between the U.S. and Hong Kong are narrowing, as a result of the rise of the Hong Kong dollar interest rates, which is likely to lead the Hong Kong dollar to appreciate for a while. Furthermore, demand for the Hong Kong dollar is growing, as the Hang Seng Index remains strong, which is another factor to keep the Hong Kong dollar strong. On the other hand, from a long-term perspective, the interest rate differentials between the U.S. and Hong Kong will persist, which would strengthen downward pressure on the Hong Kong dollar, leading the U.S. dollar/Hong Kong dollar exchange rate to reach the lower end of the fluctuation band at HKD 7.85 once again. It should also be pointed out that if the current uptrend of the Hang Seng Index discontinues, demand for the Hong Kong dollar is expected to drop. Moreover, should there be no agreement in the trade negotiations between the U.S. and China, risks of capital outflow would remain in the market.

Hong Kong dollar interest rate market in May

After the end of the quarter, the Hong Kong dollar liquidity level declined, highlighting how slow the Hong Kong dollar market was in reacting to the decline of the Hong Kong dollar liquidity level. It is true that the checkable deposit balance of the Hong Kong Monetary Authorities (HKMA) turned out to be HKD 54.47 billion, showing that the buffer for Hong Kong dollar liquidity is substantially narrow. As a result, nervous banks in Hong Kong are facing significant pressure to procure funds in order to deal with any situation with a tight supply & demand balance in the Hong Kong dollar market. In the meantime, the HKMA has not newly supplied Hong Kong dollar liquidity through regular exchange fund securities or bond auctions. It can be said that this means that the HKMA has an attitude to lead the Hong Kong dollar interest rates to gradually rise through the decline of the Hong Kong dollar liquidity level.

Kazuki Baba, Treasury Division, MHBK (China)

Chinese Yuan – May 2019

Expected Ranges	**Against the US$:**	**CNY 6.5000–6.9000**
	Against the yen:	**JPY 15.51–17.23**
	Against 100 yen:	**CNY 5.8000–6.4500**

1. Review of the Previous Month

Foreign exchange market

In April, the Chinese yuan momentarily appreciated against the U.S. dollar, as there was a sign of improvement in Chinese economic indices. However, toward the end of the month, market participants actively sold the euro, also reversing the trend in the U.S. dollar/Chinese yuan exchange market.

During the first half of the month, there was a series of important economic and political events, such as the European Central Bank (ECB) Committee meeting, the release of the minutes of the Federal Open Market Committee (FOMC) meeting, as well as the second postponement of the Brexit deadline for the U.K. However, these events had little impact on the U.S. dollar/Chinese yuan exchange market. Thus, the U.S. dollar/Chinese yuan exchange rate continued fluctuating within a narrow range between around CNY 6.70 and CNY 6.72.

On April 17, the GDP of China and other Chinese economic indices were announced, with figures exceeding markets estimates. In reaction to this, market participants started buying the Chinese yuan at an accelerated rate, and the U.S. dollar/Chinese yuan exchange rate temporarily fell below CNY 6.69.

Thereafter, toward the end of the month, market participants bought the U.S. dollar, having witnessed the strong retail sales figure of the U.S., while the euro depreciated as a result of the weak manufacturing PMI of the eurozone and the German IFO Business Climate Index. Under such circumstances, the Chinese yuan weakened against the U.S. dollar, and the U.S. dollar/Chinese yuan exchange rate exceeded CNY 6.73.

Interest rate market

At the beginning of the month, an MLF worth JPY 366.5 billion matured while companies were facing the time of tax payment. As a result, short-term interest rates, mainly that of two weeks, started to rise. The overnight SHIBOR temporarily reached 2.998%—the highest level since 2015.

Thereafter, funds were supplied through open-market operations as well as the one-year TMLF (targeted medium-term lending facility), while demand for fund procurement had also peaked out. Thus, overnight interest rates started to drop. On the other hand, economic indices remained strong, leading fewer market participants to expect additional measures of monetary easing, such as a deposit reserve requirement ratio cut. As a consequence, upward pressure on term interest rates strengthened and interest rates rose slightly.

2. Outlook for This Month

Foreign exchange market

While the March economic indices showed signs of the stabilization of the Chinese economy, the next key factor would be the trade negotiations between the U.S. and China. Both countries are currently making positive remarks for an agreement, and some media outlets report that they will reach an agreement in late May. If there is progress toward an agreement, the upward pressure on the Chinese yuan is likely to strengthen. On the other hand, it is also possible for the euro to remain weak due to the downturn of the economy in the eurozone, speculations about additional monetary easing by the ECB, and the sense of uncertainty regarding the Brexit issues of the U.K., in which case the Chinese yuan is also expected to remain weak.

Interest rate market

Thanks to strong economic indices, there are less and less market participants that expect additional measures of monetary easing, making it less likely for interest rates to be higher in the times ahead. On the other hand, the Chinese monetary authorities have a principle to control procurement cost for corporations, which makes it difficult for them to take unexpected measures of monetary tightening. Furthermore, as the liquidity level of the overall capital market remains high, the rise of interest rates is likely to be insignificant.

Shinya Maegawa, Asia & Oceania Treasury Department

Singapore Dollar – May 2019

Expected Ranges	**Against the US$:**	**SG$ 1.3450–1.3650**
	Against the yen:	**JPY 81.00–83.50**

1. Review of the Previous Month

In April, the U.S. dollar/Singapore dollar exchange rate continued fluctuating within a narrow range between the lower-SGD 1.35 level and the upper-SGD 1.35 level. In April, there was no significant negative factor in the market apart from the downward revision of the International Monetary Fund (IMF) world economic outlook. As economic indices turned out to be strong, including that of China, the recent concerns over a slowdown in the global economy were mitigated, leading stock prices to globally renew their highest level since the beginning of the year, fueling risk-taking sentiment.

In the first week of the month, market participants bought the Singapore dollar on April 1, as a result of the improved figures of the March manufacturing PMI of China, as well as the March ISM Manufacturing Report on Business of the U.S. On April 2, market participants bought back the U.S. dollar and sold the Singapore dollar before the re-opening of the trade negotiations between the U.S. and China, and the U.S. dollar/Singapore dollar exchange rate reached the mid-1.35 level. Then, on April 3, a U.K. newspaper reported that the negotiations between the U.S. and China had resolved most of the problems except for the enforcement mechanism for an agreement. Positively reacting to this news, risk-taking sentiment grew in the market, and the Singapore dollar appreciated against the U.S. dollar, leading the exchange rate to reach the lower-SGD 1.35 level. From April 4, concerns over a slowdown in the global economy were mitigated, and the U.S. interest rates started to rise. Market participants bought the U.S. dollar and sold the Singapore dollar, leading the exchange rate to the mid-SGD 1.35 level.

In the second week of the month, the U.S. dollar strengthened on April 8, as the March employment statistics of the U.S. that were released at the end of the previous week turned out to be stronger than the market estimate. Under such circumstances the Singapore dollar weakened. On April 9 and 10, there were some weights on the U.S. dollar, such as concerns over trade frictions between the U.S. and Europe as well as the downward revision of the IMF world economic outlook. Market participants thus bought the Singapore dollar, and the U.S. dollar/Singapore dollar exchange rate reached the lower-SGD 1.35 level. On April 12, the Monetary Authority of Singapore (MAS) announced its monetary policy after attracting significant attention in the market, and, as had been expected by the majority in the market, the policy band was maintained at the existing level while the width and the central value were also unchanged. The preliminary figure of the first-quarter GDP of Singapore was also announced at the same time, falling below the market estimate, which encouraged market participants to temporarily sell the Singapore dollar immediately after the announcement, although thereafter the exchange rate gradually returned to the level observed before the announcement.

In the third week of the month, the Singapore dollar weakened on April 15 and 16, leading the U.S. dollar/Singapore dollar exchange rate to reach the mid-1.35 level. On April 17, the first-quarter GDP of China turned out to be stronger than the market estimate, which fueled risk-taking sentiment in the market. Under such circumstances, the Singapore dollar appreciated against the U.S. dollar to the lower-SGD 1.35 level. It seems that investment rallied, thanks to the economic measures taken by the Chinese government, which also contributed to the appreciation of the Singapore dollar. On April 18, the April manufacturing PMI of the eurozone turned out to be weaker than the market estimate, encouraging market participants to sell the euro and buy the U.S. dollar. Following this trend, the Singapore dollar was also sold, and the U.S. dollar/Singapore dollar exchange rate reached the upper-SGD 1.35 level.

In the fourth week of the month, the March CPI of Singapore was announced on April 23, and the result turned out to be weaker than the market estimate. From April 24, U.S. dollar-buying increased, and the Singapore dollar was sold to the upper-SGD 1.35 level at which level monthly trading closed.

2. Outlook for This Month

In May, the U.S. dollar/Singapore dollar exchange rate is expected to fluctuate within a narrow range mainly at the SGD 1.35 level in a stable manner. As the economic indices of China announced last month turned out to be strong, there has been a sense of relief in the market. Furthermore, the ministerial-level meetings continue for the trade negotiations between the U.S. and China, and some media outlets report that there will be a compromised agreement in May. Concerns over a slowdown in the global economy have also been currently mitigated, and risk-taking sentiment is likely to remain in the market.

There was no particular surprise in the monetary policy of the MAS announced last month as had been anticipated by the majority in the market. The MAS shifted its attitude from neutral to monetary tightening for the first time in two years in April last year, starting to lead the Singapore dollar to appreciate based on the Singapore Dollar Nominal Effective Exchange Rate (S$NEER), after which an additional measure of monetary tightening was carried out in October. The MAS pointed out that the global monetary environment has been eased thereafter, while the U.S. and China were shifting their policy toward monetary easing. Furthermore, as concerns over inflation are currently mitigated, the MAS lowered its inflation outlook.

The MAS statement pointed out that the short-term uncertainty of external factors remains high, as the global economy has slowed own more than expected due to the decline in trade. The statement predicted that the global economy, which had continued to expand for the past two years, would start slowing down in 2019.

At the same time, the first-quarter GDP of Singapore was announced, and the result turned out to be +1.3% year-on-year. The manufacturing sector recorded negative growth, negatively impacting the overall figure. If the global economy starts to slow down, production in the manufacturing industry is expected to continue declining. Furthermore, it is also possible for a decline in external demand to cause a slowdown in the service industry. The annual growth rate of Singapore is likely to be slightly below 2.5%. If the Chinese economy shows signs of bottoming out, the slowdown of the Singapore economy is also likely to be moderate. Market participants should be observing the fundamentals including economic indices more carefully than before.

Yuki Inoue, Bangkok Treasury Office

Thai Baht – May 2019

Expected Ranges	**Against the US$:**	**THB 31.70–32.60**
	Against the yen:	**JPY 3.40–3.50**

1. Review of the Previous Month

The U.S. dollar/Thai baht exchange rate rose to the THB 32.00 level for the first time since January.

At the beginning of the month, the U.S. dollar/Thai baht exchange rate remained stable. On April 1, the U.S. dollar/Thai baht exchange market opened trading at the upper-THB 31.60 level. The March Consumer Price Index announced by the Ministry of Commerce turned out to be +1.24% year-on-year, recording positive growth for the 21st consecutive month. However, the impact of this on the exchange market was limited, and the U.S. dollar/Thai baht exchange rate continued fluctuating within a narrow range at around THB 31.70. Thereafter, the U.S. interest rates rose and market participants started buying the U.S. dollar. As a result, the U.S. dollar/Thai baht exchange rate rose gradually to the lower-THB 31.90 level. Then, on April 5, the March employment statistics of the U.S. were released with mixed results, in which the number of non-agricultural employees exceeded the market estimate, while the average hourly wage fell below the expected level. Thus, this event did not significantly impact the exchange market. Also, there were consecutive holidays in Thailand from April 5 to April 8, during which the head of the Future Forward Party, Thanathorn Juangroongruangkit, became part of the focus of a police investigation for having provoked the anti-government demonstration of 2015. As a result, a sense of political uncertainty strengthened rapidly in the market, leading the U.S. dollar/Thai baht exchange rate to rise and temporarily reach the mid-THB 31.90 level. However, after the consecutive holidays, market participants bought the overall Asian currencies, following which the U.S. dollar/Thai baht exchange rate also fell gradually to the THB 31.80 level.

In the middle of the month, there were few market activities because of the Songkran holidays. On April 9, Asian currencies weakened slightly, as the International Monetary Fund (IMF) revised its global economy outlook downward. However, the minutes of the Federal Open Market Committee (FOMC) meeting were released on April 10 with the expression that the economy is facing "greater uncertainty," which encouraged market participants to sell the U.S. dollar, leading the U.S. dollar/Thai baht exchange rate to fall to the lower-THB 31.70 level. Thereafter, on April 11, the U.S. economic indices turned out to be strong, and the U.S. interest rates started to rise. As a result, the U.S. dollar/Thai baht exchange rate also rose to the upper-THB 31.80 level—the weekly high. From April 12, the liquidity level gradually declined for the Songkran holidays, while the U.S. dollar/Thai baht exchange market had few signs of movement fluctuating at around THB 31.80. After the holidays, there were still a limited number of market participants on April 17, and the U.S. dollar/Thai baht pair continued trading at the same level. The first-quarter GDP of China was announced on April 17 and the result turned out to be 6.4% year-on-year, exceeding the market estimate, leading the Chinese yuan to appreciate. However, the impact of this on the U.S. dollar/Thai baht exchange market was limited.

At the end of the month, the U.S. dollar/Thai baht exchange rate rose to the THB 32.00 level for the first time since January. On April 22, the Ministry of Commerce released the March trade statistics, revealing the fact that imports and exports recorded significant negative growth of –7.63% and –4.88%, respectively. Furthermore, the outlook for the export value in 2019 was also revised downward, which led the Thai baht to depreciate slightly, due to a sense of uncertainty over the economic outlook in Thailand. The U.S. dollar/Thai baht exchange rate thus rose to the THB 31.90 level. Thereafter, the sense of political uncertainty persisted in the market, waiting for the announcement of the election outcome scheduled for May 9. The U.S. dollar/Thai baht exchange rate reached the THB 32.00 level with some stop-loss orders. Thereafter, the U.S. dollar/Thai baht exchange rate reached the lower-THB 32.10 level.

2. Outlook for This Month

The Thai baht is forecast to continue weakening against the backdrop of a series of political events.

It has been a month since the general election was carried out on March 24, but a definite outcome has not yet been announced. What is more, there has been confusion regarding the calculation method used to determine how seats are distributed in the Parliament House of Thailand based on proportional representation. It is now uncertain whether the official outcome of the election will be announced on May 9 as has been scheduled. The Future Forward Party, which has revealed its plan to form an alliance with the pro-Thaksin Shinawatra For Thais Party, gathered a large number of votes mainly from young people. However, the head of the party, the previously mentioned Thanathorn Juangroongruangkit, was part of the focus of a police investigation for having provoked an anti-government demonstration in 2015. Furthermore, this week, the Election Commission of Thailand decided to examine his case, as it is highly likely that he had violated laws related to elections, which further fueled the sense of political uncertainty in the market. There will be a series of important events in May, including the coronation of the King, scheduled from May 4 to 6, the announcement of the outcome of the election scheduled for May 9, as well as the national assembly to nominate the Prime Minister scheduled for May 24. In particular, it is generally easy for political uncertainty to grow after the coronation of the King, which may lead the Thai baht to depreciate further. It should also be pointed out that the March trade statistics released by the Ministry of Commerce on April 22 showed that exports had significantly declined, mainly those toward China, with a persistent sense of uncertainty over the outlook of the Thai economy. Minister of Finance Apisak Tantivorawong stated that the GDP growth rate for the first and second quarter was expected to fall to around 3%, while also revealing a plan to introduce economic stimulus measures worth THB 20 billion. The governor of the central bank of India, Veerathai Santiprabhob, also made a comment to express his concern that the delay in establishing the incoming government might negatively impact the market. Thus, there are slightly negative factors for the Thai baht, making it hard for market participants to actively continue buying it.

With regard to external factors, the crude oil price is rising due to the decision by the U.S. to discontinue the exemption from financial sanctions against Iran. As of April 25, the WTI crude oil price has risen to USD 65 for the first time since October last year. As is the case for many other Asian currencies, the rise of the crude oil price is likely to negatively impact the Thai baht exchange market, which is another factor for the Thai baht to weaken in the times ahead. While the Federal Reserve Board (FRB) is likely not to raise the interest rate before the end of the year, which is being reflected in the market, there has been tendency for monetary easing not only in the U.S. but also for the European Central Bank (ECB) and the Bank of Japan. Under such circumstances, it may, in the end, be difficult for the depreciation of the U.S. dollar to continue in relation to other currencies.

There have been factors to lead the Thai baht to depreciate both in Thailand and overseas. In particular, the Thai baht is forecast to continue weakening in May against the backdrop of a series of political events.

Shinichi Sekigami, Mizuho Bank (Malaysia) Berhad

Malaysian Ringgit – May 2019

Expected Ranges	**Against the US$:**	**MYR 4.0900–4.1600**
	Against the yen:	**JPY 26.90–27.40**
	Against 100 yen:	**MYR 3.6500–3.7200**

1. Review of the Previous Month

In April, the Malaysian ringgit weakened against the U.S. dollar to the MYR 4.15 level, due to the trade frictions between the U.S. and China and the delay in the Brexit negotiations, as well as due to negative media reports about the local bond market.

At the beginning of the month, the U.S. dollar/Malaysian ringgit exchange market opened trading within a narrow range between MYR 4.07 and MYR 4.09, without any decisive factor. Thereafter, some recovery was expected for the March manufacturing PMI of China as well as the March ISM Manufacturing Report on Business of the U.S., to which market participants positively reacted. However, the Malaysian ringgit exchange market was not strengthened, as the manufacturing PMI of Malaysia declined. On the other hand, the February trade statistics of Malaysia recorded an unexpected significant decline in both imports and exports, although there was an increase in trade surplus. The decline in exports was mainly caused by the fall in the price and volume of crude oil, fueling concerns over a slowdown in the global economy.

In the middle of the month, the U.S. dollar/Malaysian ringgit exchange rate started rising, following negative media reports in Malaysia. First of all, the media reported that the pension fund of the Norwegian government (oil fund) would exclude emerging-market bonds, including Malaysia, from a benchmark portfolio worth USD 300 billion for bond management. It has been reported that, out of the 10 emerging countries to be excluded from the portfolio, the exposure for Malaysia is approximately USD 1.9 billion. Secondly, the International Monetary Fund (IMF) revised its global economic growth outlook for 2019 downward from 3.5% to 3.3% for the third time since October last year. The IMF made a remark pointing out that the global spread of trade frictions is a major risk for economic recovery. Despite the fact that the Brent oil price recovered to the USD 70 level, thanks to political uncertainty in Libya, the U.S. dollar/Malaysian ringgit exchange rate rose to the MYR 4.11 level toward April 12, partially due the weakness of the February industrial production index of Malaysia.

Media reports related to the bond market continued in the following week, weakening the Malaysian ringgit. The third report was regarding the announcement on April 16 by FTSE Russell that the company is reviewing the possibility to downgrade Malaysia to a level excluded from the World Government Bond Index (WGBI). Market participants sold off Malaysian bonds, leading the Malaysian ringgit to continue depreciating. Furthermore, Malaysian economic indices slowed down, which made it more likely for the overnight policy rate (OPR) to be cut at the meeting scheduled for May 7. As a result, the U.S. dollar/Malaysian ringgit exchange rate that returned once to the MYR 4.09 level exceeded the MYR 4.1490 recorded on January 3, renewing its high since the beginning of the year, at MYR 4.1500 on April 18. Thereafter, recent Chinese economic indices including the GDP showed some signs of recovery, mitigating concerns over a slowdown in the global economy. Under such circumstances, the U.S dollar/Malaysian ringgit exchange rate has recovered to the MYR 4.13 level as of April 24.

2. Outlook for This Month

In May, the U.S. dollar/Malaysian ringgit exchange rate is forecast to remain in the same range as in April, as there are some negative factors such as the trade frictions between the U.S. and China, the delay in the Brexit deal, risks of a slowdown in the global economy, and concerns over the Malaysian bond market and the growth rate, while there are some supporting factors such as the stable crude oil price and the steady current account surplus.

The Malaysian bond market attracted significant attention in the market in April. In February and March, there was a net inflow from overseas investors. There was also some outflow after the above media report regarding the oil fund and the World Government Bond Index discussed above. However, the actual change in the bond market at the time of the announcement was only several basis points, as speculative funds had already been withdrawn from the bond market after the regulations to manage the foreign exchange market were tightened at the end of 2016.

On the day after the announcement by FTSE Russell, the central bank of Malaysia displayed on its website an executive summary of the regulations for foreign investors concerning the foreign exchange hedge of the Malaysian ringgit. Since May 2017, the central bank has indeed continued deregulating the market in order to enhance hedge flexibility, while cautiously observing the flow of foreign investor funds. However, as it is a legal matter, there have been some difficulties. What had been expressed in the press release by FTSE as a reason for its decision was only "concerns over market accessibility" in addition to which the executive summary explained once more "how to access the Malaysian ringgit market" in a manner that was easy to understand. It can also be understood that the central bank expressed its wish to call foreign investors back to the Malaysian market. It is inevitable for investors to sell some Malaysian ringgit from a short-term perspective. However, it is also possible for the direct investment of industrial corporations to increase more rapidly, as the total value approved for this type of investment by the monetary authorities increased significantly last fiscal year. Market participants should thus remain cautious not to overreact to media reports.

It should also be mentioned that there is an increasing number of market participants that expect the overnight policy rate (OPR) to be pre-emptively cut at the monetary policy meeting scheduled for May 7. However, the current situation in the foreign exchange and bond markets has changed since the last pre-emptive interest rate cut in Malaysia in July 2016 in reaction to the unexpected outcome of the referendum in the U.K. carried out in the previous month. The central bank has evaluated the current situation as "not disinflation," as the CPI, which recorded negative growth in January and February, would indeed be positive if one deducts the impact of the gasoline price cut carried out in January. The central bank is therefore forecast to maintain the current attitude to carefully observe the situation without changing the interest rate at least until the GDP is announced for the first quarter in 2019.

Ryosuke Kawai, Asia & Oceania Treasury Department

Indonesian Rupiah – May 2019

Expected Ranges	**Against the US$:**	**IDR 13,900–14,400**
	Against 100 rupiah:	**JPY 0.76–0.80**
	Against the yen:	**IDR 125.00–132.00**

1. Review of the Previous Month

In April, the U.S. dollar/Indonesian rupiah exchange rate fluctuated within the range between IDR 14,000 and IDR 14,245, as the Indonesian rupiah remained strong against the U.S. dollar.

The U.S. dollar/Indonesian rupiah exchange market opened trading at around IDR 14,220, after which the March Manufacturing PMI of China and the March ISM Manufacturing Report on Business of the U.S. were both announced on April 1, with figures that turned out to be stronger than the market estimate. In reaction, the market sentiment improved, and the U.S. dollar/Indonesian rupiah exchange rate fell to the IDR 14,100 level.

In the meantime, the March Consumer Price Index of Indonesia was announced on April 1 and the result turned out to be +2.48%, almost as had been expected in the market. However, the March foreign currency reserves of Indonesia announced on April 8 turned out to be USD 124.5 billion (+USD 1.5 billion), recording positive growth for the sixth consecutive month.

In the middle of the month, market participants took a wait-and-see attitude, waiting for the presidential election in Indonesia scheduled for April 17, and the U.S. dollar/Indonesian rupiah exchange rate continued fluctuating within a narrow range at the IDR 14,100 level. However, on April 15, the March trade statistics of Indonesia were announced, recording a surplus for the second consecutive month against the market estimate. In positively reacting to this news, the U.S. dollar/Indonesian rupiah exchange rate fell below IDR 14,100. On April 16, trading closed at around IDR 14,080.

The presidential election of Indonesia was held on April 17, attracting substantial attention, and, according to a major survey institution, the current president, Joko Widodo, was leading at 10 points ahead of Prabowo Subianto, making it likely for Joko Widodo to be re-elected (the official outcome is scheduled to be out on May 22). As a consequence, the sense of political uncertainty in Indonesia was mitigated. Furthermore, Chinese economic indices were released on the same day, with figures stronger than expected, which led the U.S. dollar/Indonesian rupiah exchange rate to fall to around 14,000 (i.e., the appreciation of the Indonesian rupiah) in the overseas NDF market. Following this trend, the domestic U.S. dollar/Indonesian rupiah market also opened at around IDR 14,000 on April 18, with a gap from the previous day's closing rate.

Thereafter, toward the end of the month, the U.S. dollar/Indonesian rupiah exchange rate had been fluctuating at around IDR 14,075, with demand by importing companies to buy the U.S. dollar, in which such demand typically increases at the end of each month (as of April 23, on a closing rate basis).

The central bank of Indonesia plans to announce its monetary policy on April 25, and market participants expect the current interest rate to be maintained.

2. Outlook for This Month

In May, the U.S. dollar/Indonesian rupiah exchange rate is forecast to fluctuate mainly within a range between IDR 14,000 and IDR 14,300, without moving into any direction.

Through the presidential election in Indonesia attracted substantial attention in the market, it is now likely for the current president, Joko Widodo, to be re-elected, mitigating the sense of domestic political uncertainty.

Moreover, in terms of external factors, the Chinese economy seems to have hit bottom, which is another positive factor for emerging currencies. Thus, the U.S. dollar/Indonesian rupiah exchange rate is expected to fluctuate within the above range.

In May in Indonesia, the first-quarter GDP is scheduled to be out on May 6, while the first-quarter current account balance is scheduled to be out on May 10, in addition to monthly economic indices.

In terms of the current account balance, in particular, there has been a surplus for two consecutive months in February and March, making it likely for the current account deficit to decrease. However, it seems too early to say that the currency account deficit of Indonesia will continue decreasing in the times ahead.

There has been no brake in the decline of exports, while the U.S. government announced on April 22 that there would be no more exemptions on eight countries and regions regarding the ban on crude oil made in Iran, which led the crude oil price to rise to USD 65 for the first time since October 2018. This means that the trade balance may turn into a deficit due to an increase in the import of petroleum-related products.

Furthermore, in May, demand from importing companies to buy the U.S. dollar is likely to increase due to seasonal factors before the Lebaran holidays.

With regard to security investment, there has been vigorous capital inflow from overseas investors. However, market participants currently seem somewhat too optimistic. The International Monetary Fund (IMF) economic outlook released on April 9 indicates serious downside risks. Thus, when risk-averse sentiment has grown in the market, the trend is expected to reverse and the U.S. dollar/Indonesian rupiah exchange rate is likely to start rising.

Yoichi Hinoue, Manila Office, Asia & Oceania Treasury Department

Philippine Peso – May 2019

Expected Ranges	**Against the US$:**	**PHP 52.00–53.00**
	Against the yen:	**JPY 2.10–2.16**

1. Review of the Previous Month

On April 1, the U.S. dollar/Philippine peso exchange market opened trading at PHP 52.60, the monthly high in April.

At the beginning of the month, the market sentiment improved, thanks to the positive figures of the March Manufacturing PMI of China as well as the March ISM Manufacturing Report on Business of the U.S. Furthermore, U.S. President Donald Trump made a remark that there would soon be a trade agreement between the U.S. and China, fueling expectations for progress in the trade negotiations between these two countries, leading Asian currencies to strengthen against the U.S. dollar. Consequently, the U.S. dollar/Philippine peso pair traded at PHP 52.01 on April 4.

On April 5, the March Consumer Price Index of the Philippines was released, and the result turned out to be +3.3% year-on-year, falling below +3.5% (the market estimate) and +3.8% (the previous month's result). With speculations about an interest rate cut, market participants sold the Philippine peso immediately after this announcement, keeping the U.S. dollar/Philippine peso exchange rate from falling below PHP 52. On the other hand, monetary authority officials made cautious remarks regarding monetary easing, also keeping the U.S. dollar from appreciating excessively.

On the same day, local time, the March employment statistics of the U.S. were released, which encouraged market participants to buy the U.S. dollar in the foreign exchange market. On April 8, the U.S. dollar/Philippine peso exchange market opened at PHP 52.20. Also, U.S. President Donald Trump listed Iran's Islamic Revolutionary Guard Corp as a terrorist organization, while concerns were growing about the intensifying civil war in Libya. As a result, the price of gold appreciated, encouraging market participants to sell the U.S. dollar. On April 9, the International Monetary Fund (IMF) revised its global economic growth outlook downward from 3.5% to 3.3%, and the fall of U.S. interest rates further accelerated U.S. dollar-selling.

In the U.S. dollar/Philippine peso exchange market, the exchange rate fell below the PHP 52 mark on April 10, and the February trade statistics of the Philippines announced on April 11 revealed a trade deficit of USD 2.79 billion, which is lower than the USD 3.76 billion recorded in the previous month and lower than USD 3.41 billion—the market estimate. In positively reacting to this, market participants continued buying the Philippine peso.

On April 15, the Philippine peso reached its highest level against the U.S. dollar since February 9 last year at PHP 51.63. The Easter holidays (April 18 and 19) started at the PHP 51.70–51.80 level.

After the Easter holidays, market participants bought back the U.S. dollar in the U.S. dollar/Philippine peso exchange market. During the holidays, Asian currencies remained weak against the U.S. dollar, and the U.S. dollar/Philippine peso exchange rate returned to the PHP 52 level on April 22.

Thereafter, the U.S. government announced its decision to discontinue the special measure to allow some countries to buy crude oil produced in Iran, and this led the crude oil price to rise, encouraging market participants to sell Asian currencies. On April 23, the S&P and Nasdaq indices renewed their all-time highs in the U.S. stock market, thanks to steady corporate performance as well as the fall of U.S. interest rates. Thus, market participants bought the U.S. dollar in the foreign exchange market. On April 24, the U.S. dollar/Philippine peso temporarily traded at PHP 54.325 (as of 5 p.m. on April 24).

2. Outlook for This Month

In April, the risk-averse sentiment in the market, caused by the reversed relationship between long and short interest rates, was unexpectedly rapidly mitigated, leading the Philippine peso to appreciate against the U.S. dollar to reach the PHP 51 level for the first time in a month. However, risk-taking sentiment is currently dominating the market, encouraging market participants to buy the U.S. dollar.

With regard to monetary policy in the Philippines, the governor of the central bank of the Philippines, Benjamin Diokno, made the remark, "it is necessary to carefully observe the situation," while the deputy governor, Diwa Guinigundo, made the remark, "an interest rate cut will be considered when the inflation rate reaches 3%." Therefore, the central bank seems to consider that it is too early to cut the interest rate, whereas there are many market participants waiting for monetary easing.

Furthermore, the February trade statistics of the Philippines revealed that imports declined to USD 7.97 billion from USD 9.03 billion—the figure recorded in the previous month—leading to a decrease in the trade deficit. However, in terms of year-on-year growth, exports decreased by 0.9% while imports increased by 2.6%. Thus, many market participants see the decrease in the trade deficit as a temporary phenomenon.

The pressure to sell the Philippine peso is therefore expected to remain strong in the times ahead.

As was discussed above, the IMF pointed to persistent downward risks for the global economy, leading U.S. interest rates to fall, encouraging market participants to sell the U.S. dollar. However, this can also lead to U.S. dollar-buying, as the U.S. dollar is a safe asset.

Under such circumstances, the U.S. dollar is forecast to remain robust in May. In 2019, the U.S. dollar/Philippine peso exchange rate fell below PHP 52 twice. However, the exchange rate remained at the PHP 51 level only for a short time, demonstrating the strength of the U.S. dollar.

On the other hand, there are also some factors to strengthen the Philippine peso. There has been a constant and significant net buy in terms of weekly transactions by foreign investors in the Philippine stock market this year. Out of 15 weeks, there was a net buy for 13 weeks, currently recording a net buy for the fourth consecutive week. Even though the Philippine Stock Exchange index (PSEi) has been low, at around 8,000 points, market participants should remain careful for future trends.

Junya Tagawa, India Office, Asia & Oceania Treasury Department

Indian Rupee – May 2019

Expected Ranges	**Against the US$:**	**INR 67.50–72.50**
	Against the yen:	**JPY 1.55–1.64**

1. Review of the Previous Month

In April, the U.S. dollar/Indian rupee exchange rate rose slightly.

The U.S. dollar/Indian rupee exchange market opened trading at INR 69.34 in the new fiscal year. Market participants sold foreign currencies against the Indian rupee, as foreign investment funds were flowing into the Indian stock and bond markets. As a result, the U.S. dollar/Indian rupee exchange rate reached its monthly low at INR 68.38 on April 3. However, the exchange rate did not fall further, as market participants remained sensitive about the monthly low in March (INR 68.35)—the lowest rate since summer last year.

Thereafter, the central bank of India held a monetary policy meeting and announced its decision to cut the policy interest rate by 0.25%. Even though the interest rate cut had been anticipated in the market, the principle for the monetary policy was announced to be "neutral," while many market participants expected it to be "easing." Market participants thus reacted negatively to this news. As foreign investors sold stocks, making it likely for rupee-buying to decrease, the U.S. dollar/Indian rupee exchange rate started rising. Furthermore, the U.S. employment statistics turned out to be strong, while the crude oil price (WTI) exceeded USD 63 for the first time since November last year. As a consequence, the U.S. dollar/Indian rupee exchange rate continued climbing rapidly to the upper-INR 69 level.

At this level, some market participants bought the Indian rupee based on actual demand, and the exchange rate fell slightly. However, it rose again in the end, as the trade balance revealed that the trade deficit was larger than the market estimate. Thereafter, the crude oil price, which had been fluctuating around USD 64, rose to the lower-USD 66 level, as market participants bought crude oil with concerns for insufficient supply after the announcement made by the U.S. government about its decision to discontinue the exemption of eight countries and regions from a ban on the import of crude oil produced in Iran. Following this news, the Indian rupee depreciated as well. On April 23, the U.S. dollar/Indian rupee exchange rate reached its monthly high at INR 69.89. As of April 24, when this article was being written, the U.S. dollar/Indian rupee was trading at the INR 69.55 level.

In April, the Indian rupee/Japanese yen exchange rate did not move into any direction.

The Indian rupee/Japanese yen exchange market opened trading at JPY 1.60 in April, after which the U.S. dollar/Indian rupee exchange rate reached its monthly low, as was discussed above. At the same time, the Indian rupee/Japanese yen exchange rate reached its monthly high at JPY 1.63. Thereafter, the U.S. dollar/Indian rupee exchange rate rose to the upper-INR 69 level, following which the Indian rupee/Japanese yen exchange rate fell to JPY 1.59, the monthly low in April, on April 9. While the U.S. dollar/Japanese yen exchange rate continued fluctuating within a narrow range between JPY 111.00 and JPY 112.00 throughout the month, the Indian rupee/Japanese yen exchange market saw almost the same trends as in the U.S. dollar/Indian rupee exchange market. As of April 24, when this article is being written, the Indian rupee/Japanese yen exchange market remains at the JPY 1.60 level.

2. Outlook for This Month

In May, the U.S. dollar/Indian exchange rate is not expected to move into any direction.

In February, the central bank of India decided to cut the policy interest rate, to which the Indian stock market reacted positively with an expected fall in interest rates, creating an inflow of investment funds from non-resident investors. As a result, the Indian rupee appreciated in the foreign exchange market. In April, the policy interest rate was cut again, but the central bank shifted its monetary policy stance to "neutral," which disappointed market participants that were waiting for monetary easing as an immediate reaction, leading the Indian rupee to depreciate in the foreign market. The Indian rupee exchange market is expected to continue reacting sensitively to actions taken by foreign investors in the times ahead.

Looking at the Indian stock market from a long-term perspective, the SENSEX Index renewed its all-time high in the middle of April at 39,275. From the beginning of the year, there have been concerns about an economic downturn in emerging countries triggered by the slowdown in the Chinese economy. However, the stock market in India has been extremely steady. As long as the stock market remains strong, there will be an inflow of investment funds and Indian rupee-buying, supporting the Indian rupee exchange market.

On the other hand, the major negative factor for the Indian rupee exchange market is the crude oil price. Market participants remember that the U.S. dollar/Indian rupee exchange market was highly correlated to the crude oil market in 2018. The crude oil price, which hit a ceiling in October last year and temporarily fell almost by 45% compared to its highest rate, has currently been rallying. As was discussed above, in April the U.S. government announced its decision to discontinue the exemption from the ban on the import of crude oil produced in Iran, and this led the crude oil price to rise even further. However, there are also rumors that Sandi Arabia will increase its oil production to make up for the loss. In the current situation, the short-term trend in the crude oil market is highly political and therefore it is difficult to foresee. If the crude oil price continues rising, the Indian rupee is likely to depreciate. Needless to say, there is also the vote counting for the election for the Lower House of India scheduled for May 23.

As there are mixed factors in the Indian rupee exchange market, the U.S. dollar/Indian rupee exchange rate is not expected to move into any direction.

This report was prepared based on economic data as of April 26, 2019.