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Mizuho Dealer's Eye

November 2024

Mizuho Bank, Ltd.

Global Markets Sales & Trading Department

Koki Minamino, Forex Sales, Global Markets Sales & Trading Department

U.S. Dollar – November 2024

Expected Ranges **Against the yen: JPY148.00–157.00**

1. Review of the Previous Month

The dollar/yen pair moved firmly in October on rising US interest rates.

The pair opened the month trading at 143.73 yen on October 1. The yen was sold on the bearish contents of the Summary of Opinions from the Bank of Japan's September Monetary Policy Meeting, so the pair climbed to the mid-144 yen mark. As tensions grew in the Middle East, the pair's topside grew heavier, though it then strengthened to 146 yen on October 2 on rising US interest rates. The US September employment data was released on October 4. The data was robust overall, so the currency pair temporarily surged to 149 yen.

Japan's top currency diplomat Atsushi Mimura intervened verbally to curb the yen's slide on October 7. With the situation in the Middle East also deteriorating, the pair dropped back to the upper-147 yen level. China unexpectedly announced some further economic stimulus on October 8, with Hong Kong stocks subsequently falling sharply. Amid a mood of risk aversion, the dollar/yen pair fell to the lower-147 yen mark for a time, but its topside hit 149 yen on October 9 as the pair rose on the movements of the cross yen. The US released some stronger-than-expected CPI data on October 10, so the pair temporarily rose to the mid-149 yen range. However, the US also released some bearish new applications for unemployment insurance data around the same time, so the pair slipped back to the lower-148 yen mark.

With the US and Japan on holiday on October 14, several FRB officials made hawkish comments during overseas trading time. With reports also saying Donald Trump had the edge in the US presidential election, the currency pair rose to just below 150 yen. However, it then moved with a heavy topside when Japan returned from holiday on October 15. It continued moving in a range around the lower-149 yen mark, though it then hit the 150 yen range on October 17 on the better-than-expected results of several US indicators, including the September retail sales data. The greenback was then sold on position adjustments, with the pair weakening to the lower-149 yen level.

The pair's topside climbed to just below 151 yen on October 21 on rising US interest rates and it then floated at this level. The pair had previously found it hard to remain in the 150 yen range, but on October 23 it topped its 200-day moving average around 151.73 yen. With US interest rates also climbing, the pair then strengthened to 153 yen for the first time since July 31. Its topside was held down on October 24 when Japan's finance minister Katsunobu Kato verbally intervened to stop yen bearishness, with the pair closing the week at 152 yen.

The yen was sold on October 28 as the results of the Japan's lower house election led to political uncertainty. The pair temporarily rose to the upper-153 yen mark, though it then moved with a heavy topside. The BOJ kept policy fixed when it met on October 31, but the yen was then bought on comments by BOJ governor Kazuo Ueda, so the pair plummeted to the lower-152 yen mark.

2. Outlook for This Month

In November, the dollar/yen pair is expected to move firmly after the US presidential election as investors focus on Japanese/US interest-rate differentials.

The US October employment data is set for release on Friday, November 1. After peaking out from August, the new applications for unemployment insurance figure surged in October, though this was a temporary jump caused by a hurricane, with recent figures showing signs of improvement. When it met in September, the FOMC predicted in its economic forecast that the unemployment rate would average 4.4% over the fourth quarter, but given the above, it seems likely the actual figure will be up on this forecast, with the US likely to escape the labor market slowdown feared by the Fed.

One major event will be the US presidential election. Donald Trump and Kamala Harris are neck and neck, but there is a growing sense that the former will edge it. Trump has promised to bring interest rates down sharply, but the market reaction has been muted. In fact, the greenback was strengthened on rising US interest rates following a recommencement of so-called "Trump trades." If he looks set for victory in the run up to the election, investors will probably test the dollar/yen pair's topside even further.

The FOMC will be meeting over November 6–7. The markets are pricing in a 25bp rate cut, but the FOMC might leave rates fixed given the recent strength of US economic indicators. If the US releases some better-than-expected October employment data on November 1, this will lead to growing expectations that the FOMC will leave rates at they are. Under these circumstances, the greenback might surge, so caution will be needed.

As for Japan, the political situation is likely to move unstably for the time being after the ruling LDP lost its majority for the first time since 2009. Even if talks on a coalition government progress, the new administration will have to take a new policy direction, with uncertainty set to remain in place. It seems the yen will continue to be sold on this rising political instability. The BOJ's Monetary Policy Meeting, kept policy fixed when it met a at the end of October. Attention is now focused on whether it will hike rates when it meets in December, but such a move still seems some way off, with BOJ members likely to continue monitoring the data while remaining tight-lipped about the future.

Dealers' Market Forecast

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

Bullish on the dollar	13 bulls	157.00 – 149.00	Bearish on the dollar	2 bears	154.50 – 147.75

* Ranges are central values

Miyachi	Bear	155.50 – 147.50	Once the US presidential election is out of the way, the markets will probably switch their focus back to US and Japanese monetary policy trends and fundamentals. The dollar/yen pair is likely to move with a heavy topside as investors eye shrinking Japanese/US interest-rate differentials and the possibility of a soft landing in the US.
Kawai	Bull	158.00 – 149.00	The US employment data will be released at the start of November. Investors have priced in some weak results on transitory factors. With US business results and consumer spending also moving firmly, the dollar will continue rising. The yen will also be pushed down in the short term by Japanese political instability. The dollar/yen pair will also fluctuate sharply for a time on the US presidential election.
Kawabata	Bull	156.50 – 151.50	A series of indicators have raised the prospect of a soft landing in the US, while inflationary concerns might flare up again depending on the results of the US presidential election. Investors have finished pricing in a rate cut at the November FOMC meeting, so the greenback looks set to continue trending higher. The dollar/yen pair will also edge upwards as the unstable Japanese political situation dampens expectations for a BOJ rate cut.
Kato	Bear	153.50 – 148.00	The trend of excessive downward adjustment is over and investors will start testing the dollar/yen pair's downside again while monitoring the US economy. The greenback might be bought on the US presidential election, but the labor market will probably cast clouds on US economic sentiments thereafter.
Yamazaki	Bull	157.00 – 149.00	The dollar/yen pair will probably rise whatever the results of the US presidential election. After a pause, the pair looks set to continue trading around 155 yen once events are out of the way.
Yamaguchi	Bull	157.00 – 150.00	The most noteworthy events in November will be the US presidential and congressional elections. Japan will also see political instability until the special parliamentary session convenes. The dollar/yen pair will move with a lack of direction on this political uncertainty in the US and Japan, but it will be supported by real-demand dollar buying.
Tagawa	Bull	155.50 – 149.00	At the time of writing, the dollar/yen pair has fallen on the BOJ meeting at the end of October, but it seems market expectations for a December rate hike have risen too high. If stock markets move erratically and the yen rises, these expectations could wane.
Matsunaga	Bull	156.00 – 149.00	It is hard to imagine the FRB implementing a sharp rate cut on the November employment data, especially given the recent hurricane. Risk taking will probably rise as uncertainty clears after the US presidential election, with the greenback likely to remain attractive to investors.
Katoono	Bull	159.00 – 149.00	As Japan fumbles its way to a new administration in the wake of the lower house election there, there are hopes the dollar/yen pair will rise after the US presidential election, with investors likely to continue buying the greenback on the different situations in the US and Japan. When it comes to monetary policy too, it seems the FRB is adopting a more cautious stance towards rate cuts given the strength of the US economy.
Okuma	Bull	157.00 – 149.00	The ruling party lost its majority in the Japan's lower house election, with uncertainty about the political direction now growing. In the US, meanwhile, the economy remains firm. Though a lot depends on the US presidential election, it seems the dollar/yen pair will continue trending upwards whoever wins.
Han	Bull	158.00 – 150.00	The political situation remains up in the air in both the US and Japan, but the greenback will be bought back as the situation grows clearer. Furthermore, though the US has entered a phase of easing, the dollar will move comparatively bullishly on the strength of consumer spending in the US.

Suzuki	Bull	156.00 – 149.50	The dollar/yen pair looks set to move erratically on the results of the US presidential election, but with the US economy moving firmly overall, investors are likely to continue buying the greenback. The pair will also be supported by yen selling on Japanese political instability, with the pair set to move firmly this month.
Minamino	Bull	157.00 – 148.00	The dollar/yen pair will move firmly on the results of key indicators, the US presidential election, and the FOMC meeting. If the US October employment data beats market expectations, investors should be aware that the FOMC might postpone rate cuts. However, Japanese officials might intervene verbally to curb yen bearishness when the pair moves at highs, so caution will be needed.
Nishi	Bull	156.00 – 150.00	The US economy is moving firmly on consumer spending and so on, with expectations for US rate cuts fading just as other countries are starting to lower rates again. The greenback looks set to strengthen after the US presidential election. However, there are also concerns about moves by the Japanese authorities as speculators unwind their yen long positions, so the pair dollar/yen pair will edge higher.
Matsuki	Bull	156.00 – 146.00	The dollar/yen pair will be bolstered by Japanese political instability and "Trump trades" before the US presidential election. Investors should be on guard against position unwinding, but with the US economy moving more firmly than other economies, it seems the pair will move firmly this month.

Hiroshi Matsunaga, Forex Sales, Global Markets Sales & Trading Department

Euro – November 2024

Expected Ranges **Against the US$: US$1.0650–1.0900**
Against the yen: JPY163.50–168.00

1. Review of the Previous Month

The euro fell sharply against the dollar in October.

After opening the month in the upper-$1.10 range, the euro/dollar pair then fell to the mid-$1.10 mark when the eurozone September CPI fell on the previous month, with the pair also buffeted by risk aversion as tensions grew in the Middle East. The Middle East situation remained tense towards midweek. With ECB officials also making dovish comments and US economic indicators moving firmly, the euro remained bearish and the currency pair dropped below $1.10. The US released some strong September employment data on October 4. After slipping to a weekly low of $1.0952, the pair then recovered slightly to close the week in the upper-$1.09 range.

(Week 2) After opening at $1.0970 on October 7, the pair continued moving with a heavy topside, though it temporarily rose to a weekly high of $1.0997 on October 8 after Germany released some strong industrial production data for August. However, it was pushed back just below the key $1.10 mark, with the pair then weakening to the lower-$1.09 range on October 9. On October 10, the pair jostled up and down on the mixed results of the US September CPI data and new applications for unemployment insurance figure. It fell to a weekly low of $1.09 for a time, though it then edged higher to close the week in the lower-$1.09 range.

(Week 3) The pair opened at the lower-$1.09 mark on October 14. It temporarily dropped below $1.09 during US trading time after FRB governor Christopher Waller voiced support for a gentle pace of rate cuts. On October 15, the pair moved around $1.09 on the bullish results of the German October ZEW Indicator of Economic Sentiment, though it dipped to the mid-$1.08 mark on October 16 as the greenback was bought on rising US interest rates. The ECB Governing Council implemented a 25bp rate cut when it met on October 17. In her press conference, ECB president Christine Lagarde said there was more risk of inflation swinging downwards than upwards, with the euro sliding on this dovish comment. With US indicators also moving firmly, the euro/dollar pair fell to a weekly low of $1.0811. It then rallied to close the week at the mid-$1.08 level.

(Week 4) After opening at $1.0868 on October 21, the pair slipped to the lower-$1.08 mark during US trading time after Dallas FRB president Lorie Logan called for rates to be lowered at a careful pace. With ECB president Christine Lagarde also making some dovish noises on October 22, the pair tumbled to the upper-$1.07 level. It then fell to a weekly low of $1.0761 on October 23 as German interest rates fell. Germany then released some stronger-than-expected indicators, including the October Manufacturing and Non-manufacturing PMIs on October 24 and the IFO Business Climate Index on October 25, so the pair bounced back to the mid-$1.08 level. However, the greenback was then bought on rising US interest rates, so the pair was pushed down to close the week in the upper-$1.07 range.

(Last week) The pair opened at $1.0824 on October 28. It moved with a heavy topside around $1.08, though it then rose to the mid-$1.08 mark on October 30 when the preliminary German 3Q GDP data beat expectations. However, the pair's topside was subsequently weighed down by the bullish results of the US October ADP National Employment Report.

2. Outlook for This Month

The euro/dollar pair will move with a heavy topside in November.

The pair temporarily hit $1.12 late September, but it came under some sharp adjustment in October as expectations for US rate cuts waned and the ECB adopted a dovish stance.

The ECB Governing Council lowered its main policy rates by 25bp apiece when it met in October. The ECB had voiced recessionary concerns before the meeting, so investors had priced in rate cuts beforehand. However, the accompanying statement said inflation would drop below 2% in the next fiscal year, a change on the previous statement's "late 2025" prediction. With ECB president Christine Lagarde also suggesting the economic slowdown would slow inflation even further, the euro was sold after the meeting. The Council said future policy would depend on the data, with the ECB set to make any decisions after monitoring the results of indicators released up until the next meeting, though the main focus this month will be concerns about a eurozone recession.

When the preliminary eurozone 3Q GDP data was released on October 30, it revealed that GDP was up 0.4% on the previous quarter, thus beating market expectations for a 0.2% rise. Germany had faced recessionary concerns, but its GDP returned to growth at +0.2%. However, the preliminary eurozone October PMI (released mid-October) was below 50 for the second straight month. Major countries like Germany and France posted weak manufacturing figures, while the tertiary sector began deteriorating as pent-up post-pandemic demand faded, so it seems unlikely that the economy will recover from the third quarter.

Under these circumstances, a 25bp rate cut at the December ECB Governing Council meeting has been fully priced into OIS rates, with some observers even expecting a 50bp cut. Given these moves, it seems euro selling will ease off in November, though the euro/dollar pair will continue trading with a heavy topside until recessionary concerns are assuaged.

As for supply and demand, the eurozone's current account surplus shrank on the previous month in August. After peaking in June, the surplus has shrunk by a seasonal-adjusted figure of around 21 billion euros. The trade surplus has narrowed on the bearishness of the manufacturing sector, with this currently weighing down the euro's upwards momentum.

With the US also likely to avoid a sharp labor market slowdown, the currency pair will probably weaken on the divergent monetary policy stances of the FRB and ECB. It will take time before ECB rate cuts filter through into the economy, so the pair looks set to continue trading with a heavy topside.

Dealers' Market Forecast

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

Bullish on the euro	1 bull	1.1050 – 1.0700	Bearish on the euro	14 bears	1.1000 – 1.0600

* Ranges are central values

Miyachi	Bear	1.0950 – 1.0550	The euro will be sold on deteriorating economic sentiments in the eurozone and the behind-the-curve policy stance of the ECB, a collective decision-making body. However, the dollar could weaken early September on an unwinding of "Trump trades," so caution will be needed.
Kawai	Bear	1.0950 – 1.0600	The statement released after the October ECB Governing Council meeting contained no forward guidance about future rate cuts, but the euro will probably weaken further on the gap between European/US economic sentiments and divergent market expectations vis-à-vis rate cuts.
Kawabata	Bear	1.1000 – 1.0700	Official comments suggest that policy will continue to be determined by inflation indicators, but the eurozone GDP data (released at the end of October) has eased concerns of a eurozone economic slowdown. The December ECB Governing Council meeting is still some way off, so the euro/dollar pair will trade with a lack of direction. After the US presidential election, the pair is likely to continue trading in a range with its movements swayed by the greenback.
Kato	Bear	1.1000 – 1.0600	The greenback will face buying pressure from the US presidential election, but the euro/dollar pair is expected to continue moving flatly overall. After the hubbub of the election, attention will shift to the rate-cut battle between the US and the eurozone.
Yamazaki	Bear	1.0900 – 1.0700	The eurozone economy is slowing and the ECB looks set to continue lowering rates, so the euro/dollar pair is likely to trend downwards. If the pair falls sharply below $1.0800, it could fall to $1.0700, so caution will be needed.
Yamaguchi	Bear	1.1000 – 1.0500	The ECB looks set to continue lowering rates until early next year, with economic activity in Germany and elsewhere likely to continue slowing. On the other hand, the US economy is moving firmly, so the dollar will remain an attractive currency.
Tagawa	Bull	1.1050 – 1.0700	Though the euro/dollar pair fell sharply in October, it stopped sliding at the month's end and is clearly rallying. With the next ECB Governing Council meeting some way off, the pair will move in a range, with its downside edging up from lows. The US presidential election could pose a risk.
Matsunaga	Bear	1.0900 – 1.0650	Recent eurozone PMIs and so on suggest manufacturing remains in the doldrums, with the service sector also slowing. The euro/dollar pair's topside will remain heavy on lingering recessionary concerns.
Katoono	Bear	1.0930 – 1.0710	The ECB will steadily lower rates on the back of disinflation and a eurozone economic slowdown. With the FRB hinting it might keep rates fixed, the euro/dollar pair looks set to weaken on this divergence.
Okuma	Bear	1.1000 – 1.0600	Consumer spending is moving sluggishly on German economic instability. Expectations for a substantial ECB rate cut in December have waned, but a 0.25% cut still seems likely. With Germany also continuing to weigh down the European economy, the euro/dollar pair looks set to move with a heavy topside.
Han	Bear	1.1000 – 1.0600	Inflation is slowing in the eurozone, but there are concerns about an economic slowdown, so the euro will remain conducive to selling. Expectations for US rate cuts are waning, so euro/dollar pair will also move weakly on the contrast between the US and Europe.

Suzuki	Bear	1.1000 – 1.0650	The slowdown seems to have cooled off in some eurozone countries, but the situation remains fraught with geopolitical risk and so on, while the European economy remains weaker than the buoyant US economy. As such, the euro/dollar pair will continue moving bearishly.
Minamino	Bear	1.1000 – 1.0500	After important US events are out of the way, the dollar will continue to be bought on rising interest rates. Even if Europe avoids a recession, the euro/dollar pair's movements will be shaped by dollar buying on the strength of the US economy.
Nishi	Bear	1.1000 – 1.0600	With eurozone economic sentiments moving sluggishly, the ECB looks set to continue lowering rates as the inflation rate drops below 2% y-o-y, for example. The euro/dollar pair's topside will continue to be weighed down by the divergent economic situation in Europe and the US.
Matsuki	Bear	1.1000 – 1.0500	Inflation is falling and the economy is stalling in the eurozone, with the ECB set to continue lowering rates, so the euro will be conducive to selling. In the short term, there will be some unwinding of the dollar bullishness that arose from "Trump trades," but the euro/dollar pair will continue moving bearishly overall.

Fumihiko Kanda, Europe Treasury Department

British Pound – November 2024

Expected Ranges **Against the US$: US$1.2700–1.3300**
Against the yen: JPY191.00–203.00

1. Review of the Previous Month

The GBP/USD pair fell in October. It kicked off the month trading at $1.33 on October 1. Investors bought the dollar on hawkish comments by FRB chair Jerome Powell at the end of September. In an interview on October 3, BOE governor Andrew Bailey talked about lowering rates at a faster pace. With the US also releasing some strong September employment data on October 4, sterling was sold and the currency pair dropped below $1.31. The pair's movements regained composure the following week. The greenback was bought slightly on October 10 after the US released some stronger-than-expected September CPI data, though the pair managed to stay in the $1.30 range until the weekend. The UK employment data through August was released on October 15, with the data up slightly on expectations. However, the UK September CPI figure was released on October 16 and this had slowed more than expected, so the pair dipped below $1.30, though it returned to this level on October 18 after the UK September retail sales data substantially beat forecasts. However, the pair mainly moved in the $1.29 range in the week beginning October 21 as the dollar was bought on waning expectations for US rate cuts. Sterling moved bullishly and the pair bounced back to the $1.30 level on October 29 when the US September JOLT Job Openings figure fell below expectations. The pair then dropped back to the mid-$1.29 level on October 30 when the greenback was bought on the better-than-expected result of the US October ADP National Employment Report. UK government bonds were bought immediately after the UK budget announcement, with the GBP/USD pair also bouncing back to the mid-$1.30 mark, though it then moved with a heavy topside to close the month around $1.30.

The pound rose against the yen. The GBP/JPY began the month at 190 yen and it then traded between 193–195 yen until the third week as the yen moved bearishly after Japan's prime minister Shigeru Ishiba said on October 2 that Japan was not ready for rate hikes. The pair rose to 196 yen on October 18 after the release of the UK September retail sales data. In the following week, the dollar/yen pair strengthened on dollar buying, with the GBP/JPY pair also pulled up to 198 yen for the first time since the end of July. However, it soon returned to 196 yen following verbal interventions by Japanese officials. The yen weakened after the weekend's lower house election, with the GBP/JPY pair hitting the upper-198 yen range at the start of trading on October 28. It was then pulled up by pound buying to reach the upper-199 yen level on October 29. The pound moved erratically after the UK budget announcement on October 30, but the pair ended the month trading at the 199 yen level.

2. Outlook for This Month

A lot of factors are lined up in November, to the pound might fluctuate violently.

First up, the Bank of England (BOE) will be meeting to set policy on Thursday, November 7. At the time of writing, market bets on a -0.25% rate cut have risen to just under 90%, so the markets will be focusing less on whether the BOE cuts rates and more on how each member votes. With most observers only expecting one more rate cut within the year, there is a risk that sterling could slide on BOE dovishness, so caution will be needed. In the US, meanwhile, the October employment data will be released on Friday, November 1, with the FOMC meeting over Wednesday, November 6 to Thursday, November 7. Recent US employment indicators have been quite mixed, so market bets on a US rate cut have fallen to around 90%. After rising after the release of the employment data, it seems the GBP/USD pair's direction will be set at the November FOMC meeting.

Incidentally, though the 2022 "Truss Shock" is still fresh in the mind, gilt markets bought UK government bonds (interest rates fell) following the budget announcement by the new UK chancellor Rachel Reeves (though interest rates soon began rising again, with some observers pointing to selling to lock in profits). The new government plans to raise taxes by £40 billion to cover a hole in the UK's finances, with around 60% of this covered by a rise in employer national insurance (NI) contributions. There are concerns about the potential negative impact on the labor market, but the reaction of the currency markets was relatively muted. The budget was premised on a forecast made by the Office for Budget Responsibility (OBR) that growth will be up slightly on expectations (though the grounds for this forecast are somewhat unclear), with the subsequent reaction suggesting the markets believe the impact on the BOE rate-cut outlook will be minimal.

Several other events are also lined up, including the US presidential election. A glance at implied volatility in the options markets suggests the pound will fluctuate by around 2–3 % against the dollar and yen this month.

Ai Ando, Sydney Treasury Office, Asia & Oceania Treasury Department

Australian Dollar – November 2024

Expected Ranges **Against the US$: US$0.6400–0.6800**
Against the yen: JPY98.40–102.60

1. Review of the Previous Month

In October, the AUD/USD pair fell from the lower-$0.69 level to the upper-$0.65 range.

In the first week, the pair slid from the lower-$0.69 mark to below $0.68 as risk aversion increased on rising geopolitical risk related to the Middle East. The US released a better-than-expected September ADP National Employment Report on October 3. The US September employment data was then released on October 4 and this was also up sharply on forecasts, so the greenback was bought and the currency pair dropped below $0.68.

The pair weakened to the lower-$0.67 range in the second week. On October 8, the RMB fell sharply on a sense of disappointment when China's National Development and Reform Commission failed to announce any fiscal policy details, with the Australian dollar also pulled lower. New Zealand's central bank implemented a 50bp rate cut when it met on October 9. Its statement also hinted at further easing, so the New Zealand dollar was sold sharply. Investors also tested the AUD/USD pair's downside. After being postponed the previous day, news emerged that China would hold a press conference about fiscal policy on October 12. The AUD/USD pair subsequently surged to the mid-$0.67 mark, though these moves were only transitory. The US released some stronger-than-expected September CPI data on October 10, but the new applications for unemployment insurance figure also swung up, so the market reaction was mixed.

In the third week, the pair dipped to the mid-$0.66 level on selling related to disappointment with China, though the pair then rallied to $0.67. At a press conference at the weekend, China's finance minister made no specific mention of the size of China's stimulus package. Disappointed investors sold the RMB, with the Australian dollar also pulled lower. The New Zealand dollar was sold on October 16 on the weaker-than-expected result of New Zealand's Q3 CPI data. The AUD/USD subsequently dropped below its $0.67 support line to temporarily hit $0.6659. The Australian dollar was bought and the pair climbed to the lower-$0.67 mark on October 17 after Australia released some better-than-expected September employment data. The AUD/USD pair was pulled higher on October 18 as the RMB strengthened after China's 3Q GDP data beat forecasts. With US stocks hitting record highs, the pair then rose to the lower-$0.67 level.

Amid a dearth of factors in the fourth week, US interest rates and the greenback rose as speculation grew that Donald Trump might be elected president again. As investors tested its downside, the currency pair edged down from $0.67 to the upper-$0.65 mark.

As the greenback moved bullishly in the firth week, the pair moved with a heavy topside to slide to the lower-$0.65 mark. Australia released some mixed Q3 CPI data on October 30, so the impact on the markets was muted.

2. Outlook for This Month

In November, a lot will depend on the results of the US presidential election. As the election approaches, US interest rates and the greenback have risen from mid-October as "Trump trades" recommenced in anticipation of a victory by Donald Trump. The AUD/USD pair has also weakened on this flow. Though Australia released some stronger-than-expected September employment data, this was not enough to shift the Australian dollar's bearish trend. The employment data revealed that the unemployment rate had fallen from 4.2% to 4.1%, with the labor participation rate rising from 67.1% to 67.2%. The economy added 64,100 new jobs (including 51,600 new full-time jobs), with the labor market moving firmly. Australia's Q3 CPI data was released at the end of October. The headline figure was down on expectations on both a q-o-q and y-o-y basis, though the q-o-q and y-o-y trimmed mean figures were as expected. Prices in the service sector in particular had grown at a faster clip compared to the previous result, with investors focusing once more on the stickiness of inflation. Under these circumstances, though the AUD/USD pair will trade with a heavy topside until the results of the US presidential election are in, it could fluctuate wildly in any direction depending on the results. In particular, investors will probably test the pair's topside in the event of a Harris victory. Furthermore, if it seems the Chinese authorities are ready to release some specific fiscal policies, this will also support the pair's movements.

Mizuho Ashizaki, Canada Treasury Office, Americas Treasury Department

Canadian Dollar – November 2024

Expected Ranges **Against the US$: C$1.3600–1.4200**
Against the yen: JPY106.00–112.00

1. Review of the Previous Month

As crude oil prices rose at the start of the month on tensions in the Middle East, the Canadian dollar was bought and the USD/CAD pair fell to C$1.3473. The US September employment data was released on October 4. Nonfarm payrolls growth accelerated and the unemployment rate fell from 4.2% to 4.1%, with this pair surging to the upper-C$1.35 range on the firmness of the US labor market. Expectations for a substantial 0.50% FRB rate cut waned. With risk aversion also growing on concerns about the situation in the Middle East, the greenback was bought.

The US released some stronger-than-expected September CPI data on October 9, though the data still confirmed that inflation was slowing. Atlanta FRB president Raphael Bostic then hinted the FRB might shelve rate cuts when it met in November, so the currency pair rose further to hit C$1.3775. Canada’s September employment data was released on October 11. At 6.5%, the unemployment rate was down on forecasts (6.7%) and the previous month (6.6%). The number of people in work also grew sharply, with average hourly wages growth decelerating. The Canadian dollar was bought and the currency pair temporarily hit C$1.3725. However, the markets then reacted warmly when the US September PPI data showed a slight improvement. With FRB officials also making hawkish noises, the greenback strengthened and the USD/CAD pair rallied to top the C$1.38 mark.

Canada’s September CPI data was released on October 15, with the m-o-m and y-o-y figures both down on forecasts. As expectations for a large Bank of Canada (BOC) rate cut surged, the currency pair climbed to C$1.3839. After a round of Canadian-dollar selling, the US dollar was sold on falling US interest rates and the lackluster result of the Empire State Manufacturing Survey, so the USD/CAD pair tumbled to the upper-C$1.37 range. The US September retail sales data was released on October 17, with the m-o-m headline and core figures both up on forecasts. With the US new applications for unemployment insurance data and the Philadelphia FRB Business Confidence Index also pointing to the firmness of the US economy, the US dollar was bought back and the currency pair hit C$1.3801.

As expected, the BOC implemented a 0.50% rate cut when it met on October 23. With the Canadian dollar moving bearishly, the USD/CAD pair continued rising on some strong US economic indicators. The greenback was also bought when “Trump trades” began again on a growing sense that Donald Trump would win the battleground states in the US presidential election. The US 3Q GDP data was released on October 30. The data was broadly in line with forecasts, with consumer spending also moving firmly. There had been concerns about a US economic slowdown, but expectations now grew for a soft landing, with the economy moving strongly overall. The US dollar was bought at a faster pace and the USD/CAD pair rose to C$1.3940. The greenback continued to trend higher on expectations for a Trump victory, speculation that the FRB would slow the pace of rate cuts, and growing risk aversion on tensions in the Middle East and Ukraine.

2. Outlook for This Month

When the Bank of Canada (BOC) met to set policy on October 23, it implemented a substantial 0.50% rate cut, as expected, with its policy rate lowered from 4.25% to 3.75%. BOC governor Tiff Macklem said he expected demand to recover on the rate cuts. At an annualized 1.5%, its 3Q GDP growth outlook was downgraded from the 2.8% forecasted at the July meeting, though the BOC said low interest rates would see growth rising steadily by 2.1% in 2025 and 2.3% in 2026. It also predicted that per-capita GDP growth would rise from 0.75% late 2024 to over 0.75% in 2025 and 2026. The BOC also predicted that inflation would stay within its 1–3% target, though it also voiced concerns that inflation might overshoot or undershoot the target range. It said the primary reason why inflation might swing lower is because it may take more time than expected for household spending or corporate investment to bounce back. It also said inflation might swing upwards if crude oil prices rises on Middle East tensions or if the US raised tariffs or sent global trade into turmoil in the event of a victory by Donald Trump. The next BOC meeting will take place in December. The BOC maintains that the pace of rate cuts will depend on the data. The BOC will be paying particular attention to inflation and the labor market, with the markets likely to react sensitively to the results of indicators like the employment data (released November 8) and the CPI data (released November19).

Some economists also think the BOC has been too optimistic in its economic outlook. The BOC has estimated that 3.25% is the upper limit of the neutral rate, which is 0.50% higher than its current policy rate. There are also concerns that high interest rates will exacerbate Canada's economic slowdown, so expectations are growing for a jumbo rate cut at the December meeting too.

In the US, the labor market is moving firmly and inflation is slowing, so expectations are growing for a soft economic landing. Expectations for a large rate cut at the November 7 FOMC meeting have totally faded away. Most observers think the FOMC will lower rates by 0.25%, with some even thinking the FOMC will shelve rate cuts this month. The greenback is also being bought ahead of the November 5 US presidential election as "Trump trades" recommence on news about a Trump victory. However, Trump's approval ratings are not much higher than those of Kamala Harris, with the two sides likely to battle it out until election day. The US dollar will also be pushed up by risk aversion related to growing tensions in the Middle East and Ukraine.

With Canada and the US heading along different paths when it comes to rate cuts, the USD/CAD pair's movements will continue to be shaped by US/Canadian interest-rate differentials. However, there are a lot of uncertainties this month, with the markets set to move erratically. As such, the pair is expected to move between C$1.36–1.42.

Shuhei Yamauchi, Seoul Treasury Office, East Asia Treasury Department

Korean Won – November 2024

Expected Ranges **Against the US$: KRW 1,360–1,430**
Against the yen: JPY 10.75–11.36 (KRW100)

1. Review of the Previous Month

The USD/KRW pair rose in October.

The pair opened the month trading around KRW1324. The greenback was then bought on tensions in the Middle East. The pair had moved in the lower-KRW1300 range at the end of September, but the won now fell sharply. The dollar was also bought as US interest rates continued rising on some bullish US economic indicators released at the start of the month. With October 3 a holiday, the currency pair temporarily climbed to around KRW1335 on October 4.

The US released some strong employment data at the weekend, so the pair strengthened further on October 7. After opening around KRW1346, it temporarily topped KRW1350 towards October 8. South Korea's September CPI figure (released at the start of the month) had slowed to +1.6% y-o-y. With demand also sluggish, the Bank of Korea (BOK) implemented a 25bp rate cut when it met on October 11. The BOK once again expressed concerns about the property market. In this press conference. BOK governor Rhee Chang-yong said the BOK's policy rate was still above the neutral rate, even after the rate cut, and he emphasized that the cut was a hawkish move. The won was bought after the meeting, though the currency pair soon returned to around KRW1350.

The pair opened the following week trading around KRW1352 on October 14. The RMB moved bearishly on a sense that the Chinese government's stimulus package was insufficient. The won was also sold, with the pair rising to around KRW1360. Uncertainty about the semiconductor sector then grew after a Dutch semiconductor supplier released a bearish demand forecast, with funds then flowing out of South Korean markets. US interest rates also continued rising on a growing sense that Donald Trump would win the US presidential election, so the pair climbed to KRW1370 towards the weekend.

In the week beginning October 21, the dollar was bought and the yen sold on US presidential election trends and concerns about China's economy. The pair strengthened by around 20 won throughout the week, with the pair rising temporarily to KRW1390 on October 24, for example.

The pair opened the following week trading around KRW1390 on October 28, but it moved with a slightly heavy topside close to the key KRW1400 mark on concerns about a won-buying intervention by the authorities. The dollar was sold by exporters at the month's end and the won was also bought on real demand. The pair dropped below KRW1380 for a time on October 29 before closing at KRW1386.5 (as of 15:30 on October 29).

2. Outlook for This Month

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

The main factor this month will be the US presidential election, but reports suggest Donald Trump will win the battleground states. Trump's policies of more tariffs and expanded government spending will probably cause inflation, with most observers believing the dollar will rise if he wins. If he is victorious, the currency pair will probably rise in the short term.

The BOK began lowering rates when it met in October, but property market conditions and ballooning household debt still require monitoring. With the won also falling sharply, BOK governor Rhee Chang-yong said the BOK would consider exchange rates when making a monetary policy decision in November. A further rate cut at the end-of-November meeting seems unlikely.

The won will also be pushed down by rising geopolitical risk, with tensions rising in the Middle East and North Korea sending troops to Ukraine, for example.

There are no won-buying factors apart from firm export real demand, so the USD/KRW pair is likely to continue moving firmly in November. Investors will focus on an intervention by the authorities when the pair approaches KRW1400, but the pair might top this level on won bearishness depending on the results of the US election, so investors should pay attention to price movements around election time.

Kazuki Hisamoto, Taipei Treasury Office, East Asia Treasury Department

New Taiwan Dollar – November 2024

Expected Ranges **Against the US$: NT$31.30–32.30**
Against the yen: JPY4.60–4.85

1. Review of the Previous Month

The USD/TWD pair rose in October.

The pair opened the month trading at TWD31.700 on October 1. During overseas trading time at the end of September, FRB chair Jerome Powell said policy would move over time towards rate cuts. As US interest rates rose, the greenback was bought. The US released a better-than-expected September Services ISM Report on Business during overseas trading time on October 3 and some stronger-than-expected September employment data during overseas trading time on October 7. With overseas investors also selling Taiwanese stocks on rising tensions in the Middle East, the Taiwan dollar was sold and the currency pair temporarily climbed to TWD32.254.

South Korean stocks rose on October 11 after the Bank of Korea implemented a rate cut. As risk sentiments improved, Taiwan-dollar selling eased, with the USD/TWD pair sliding to around TWD32.20 to trade with a heavy topside. Amid a dearth of factors, the pair moved heavily on the topside in the upper-TWD32.10 range. However, risk sentiments improved on October 17 after a Taiwanese semiconductor firm released some better-than-expected settlement results. As overseas investors bought Taiwanese stocks on balance, the Taiwan dollar was bought and the currency pair weakened to the lower-TWD31.90 level.

The greenback was bought during overseas trading time on October 21 on the strength of the US economy and rising expectations for a Donald Trump victory in the US presidential election, so the pair strengthened to TWD32.10. However, exporters sold foreign currencies towards the end of the month, while overseas investors also bought Taiwanese stocks, so the US dollar was sold back and the USD/TWD pair fell to the mid-$TWD32.00 mark to trade with a heavy topside.

2. Outlook for This Month

The USD/TWD pair will probably move with a heavy topside in November.

With the US economy moving firmly, the pair temporarily climbed to TWD32.254 in October. The US dollar was bought as interest rates rose after excessive expectations for rate cuts waned, with the greenback also boosted by growing speculation that Donald Trump would win the US presidential election.

The pair looks set to move with a heavy topside in November. Investors are anticipating further rate cuts in the US as employment and inflation indicators cool off. With Taiwan committed to monetary tightening, the US dollar will probably be sold on shrinking US/Taiwan interest-rate differentials. A glance at the fund supply and demand situation points to growing demand to sell foreign currencies as Taiwan exports continue to move firmly. Taiwanese stocks have also moved bullishly since a Taiwanese semiconductor firm released some robust business results, with Taiwanese stocks likely to be bought by overseas investors this month. As such, the USD/TWD pair is expected to move with a heavy topside.

Ken Cheung, East Asia Treasury Department

Hong Kong Dollar – November 2024

Expected Ranges **Against the US$: HK$ 7.7550–7.7900**
Against the yen: JPY 19.20–20.00

1. Review of the Previous Month

Hong Kong dollar spot exchange market in October

HKD spot strengthened to below 7.77 level for the first time since December 2022 following the Fed's aggressive 50bps rate cut and a HK equities rally. In addition to the tailwind from the USD decline, a surprising 25bps prime rate cut by HK banks and the China's stimulus policy pivot boosted HK equities and encouraged capital inflow to HKD market. The largest company debut in 3 years also revived IPO market sentiment, bringing back HKD demand.

On the data front, headline CPI eased to 2.2%YoY on moderating food prices gains. Netting out the effects of government measures, underlying inflation remained subdued around 1%YoY. Rising rentals amid talent inflow could fuel inflationary pressure. Meanwhile, the HK annual policy address revealed more property supportive measures, setting maximum loan-to-value ratio at 70% for all homes. Taxes on spirits with an import price above HKD 200 will be lowered to 10% from 100% to support tourism and catering. The investment migration program is broadened, covering property investments valued at HKD 50mn or above.

Hong Kong dollar interest rate market in October

HKD liquidity conditions tightened in early October before easing back. In the beginning of the China stimulus rally, the Hang Seng Index daily trading volume surged from around HKD 100bn to a record high of HKD 620bn on 8th October, indicating stronger HKD liquidity demand for settlement. Together with low HKMA aggregate balance, HK banks tapped on discount window facility more often since mid-September. The Silver Bond issuances subscription also soaked up HKD liquidity in early October. However, overnight HKD HIBOR eased back somewhat as both HK stock markets and trading volume retreated. Separately, The HKMA cut counter-cyclical capital buffer (CCyB) to 0.5% from 1%, unleashing more room for loan lending to support corporate.

2. Outlook for This Month

Hong Kong dollar spot exchange market in November

HKD spot is expected to remain robust around 7.77 level given capital inflow but may soften to the mid-point of HKD trading band if equity rally loses momentum. Mainland China investors are keen to buy HK equities due to A-H shares premium. The Stock Connect channel recorded significant southbound inflow. If bullish sentiment sustained, IPO demand could pick up, bringing extra demand for the HKD. The upcoming US elections are set to fuel volatility in the HKD market given the Trump administration's change on HK policies, while we expect the USD-HKD peg to remain intact.

Hong Kong dollar interest rate market in November

The recent HK equities rally bolstered HKD rates, while the sustainability of higher HKD rates will depend on the HKD loan demand driven by recovery of property market and economic outlook. If the China stimulus rally sustained, it could shore up confidence on HK financial markets and bolstered IPO listing in HK stock markets due to improvement in equites valuations. Of course, more Fed's aggressive rate cuts could bring a USD-HKD rate convergence sooner. A Fed's crisis rate cut could narrow USD-HKD rate gap immediately, given the examples of the Covid Outbreak in 2020 and Global Financial Crisis in 2008, but this is not our base scenario.

Hiroshi Takemoto, Treasury Department, MHBK (China)

Chinese Yuan – November 2024

Expected Ranges	**Against the US$: CNY 6.9500–7.3500**
	Against the yen: JPY 20.14–22.30

1. Review of the Previous Month

In October, the U.S. dollar/Chinese yuan exchange rate rose.

After National Day of the People's Republic of China, the U.S. dollar/Chinese yuan exchange market opened trading at the upper-CNY 7.05 level on October 8. On the same day, China's National Development and Reform Commission held a press conference, but the details of fiscal stimulus measures were not mentioned. Thus, Chinese stock prices, which had risen sharply after the announcement of comprehensive monetary easing measures in the previous month, started to fall. Along with this trend, upward pressure on the Chinese yuan weakened, diminishing expectation of policy interest rate cuts in the U.S. based on strong economic indices in the U.S. As a result, the U.S. dollar/Chinese yuan exchange rate rose and once reached the lower-CNY 7.08 level on October 9.

On October 12, Finance Minister of China Lan Fo'an held a press conference and discussed financial aid measures including capital injection for major state-owned banks through the issuance of government bonds, as well as support for local governments with hidden debt restructuring. However, he did not mention detailed information about the timing and scale of such measures, which had been expected by market participants. Thus, Chinese stock prices fell at the beginning of the following week. On October 15, some media outlets reported that a major bank would cut the interest rates for deposits, and this also led the U.S. dollar/Chinese yuan exchange rate to exceed the CNY 7.10 level. Thereafter, the U.S. dollar/Chinese yuan exchange rate continued rising to reach the upper-CNY 7.12 level on October 17. On October 18, the U.S. dollar/Chinese yuan exchange rate was adjusted and approached the CNY 7.10 level. However, the loan prime rate (LPR) was cut on October 21. Furthermore, market participants expected the policy interest rate cuts in the U.S. to be slow based on remarks made by Federal Reserve Board (FRB) officials, while seeing the advantages for Donald Trump in the U.S. presidential election. Consequently, market participants grew cautious about returning inflation resulting from fiscal expansion. Thus, long-term interest rates rose in the U.S. In this context, the U.S. dollar/Chinese yuan exchange rate remained strong, reaching the lower-CNY 7.13 level on October 23 for the first time in approximately two months.

In the last week of the month, the introduction of reverse repo transactions was announced as a new form of open-market operation based on buying & selling on October 28. Moreover, some media outlets reported on October 29 that there was a possibility for fiscal stimulus measures worth JPY 10 trillion to be approved at the Standing Committee meeting of the National People's Congress of the People's Republic of China in November. After these headlines impacted the market to some extent, the U.S. dollar/Chinese yuan exchange rate once reached the CNY 7.14 level. However, the exchange rate did not rise further. As of 5:00 p.m. on October 30, the U.S. dollar/Chinese yuan exchange rate was fluctuating at around the CNY 7.12 level.

2. Outlook for This Month

In November, the U.S. dollar/Chinese yuan exchange rate is forecast to remain strong.

In November, important events are concentrated in the second week of the month. The Standing Committee meeting of the National People's Congress in China will start on November 4 (held until November 8), the presidential election in the U.S. will be held on November 5, and the Federal Open Market Committee (FOMC) meeting in the U.S. will be held on November 6 and 7.

Among these events, the presidential election in the U.S. is likely to be the most impactful event that is likely to raise the volatility level in the monetary market. Until the day of the election, the U.S. dollar/Chinese yuan exchange rate is expected to fluctuate in accordance with various media reports related to this event. Since both candidates are likely to maintain the policy of fiscal expansion and a tough attitude toward China (protectionism). Thus, despite some differences between the two candidates in terms of how they would affect the market, there is likely to be increasing upward pressure on the USD/CNY exchange rate.

In terms of monetary policy in the U.S., market participants expected the policy interest rate in the U.S. to be cut at an early point, having seen the policy interest rate outlook released at the FOMC meeting held in September. However, since the economic indices of the U.S. strengthened and as FRB officials made less dovish remarks thereafter, few market participants now expect the policy interest rate cuts. As a consequence, the U.S. dollar interest rates rose, and following this trend, the U.S. dollar/Chinese yuan exchange rate has been rallying. Since the expectation of policy interest rate cuts in the U.S. has diminished and its reflection in the market has disappeared to some extent, it is possible for the U.S. dollar interest rates to stop rising soon. However, the Chinese monetary authorities have been clear about their plan of monetary easing, which can be seen in the series of monetary stimulus measures announced on September 24. Under such circumstances, the U.S. dollar/Chinese yuan exchange rate is unlikely to fall significantly.

With regard to the Standing Committee meeting of the National People's Congress of the People's Republic of China, the main agenda is likely to include legislative deliberations on energy and resources, actions against money laundering, and maritime problems, according to Xinhua News Agency. The outcome of the meeting is thus not expected to significantly influence the monetary market. On the other hand, some media outlets are reporting on the possibility for the meeting to discuss fiscal stimulus measures. Thus, market participants are required to carefully observe the decisions by the Chinese monetary authorities.

Ayumi Kiyota, Asia & Oceania Treasury Department

Singapore Dollar – November 2024

Expected Ranges **Against the US$: SG$ 1.3000–1.3300**
Against the yen: JPY 109.00–118.00

1. Review of the Previous Month

The appreciation of the Singapore dollar accelerated further in September, however this trend was reversed, and the Singapore dollar depreciated in October.

At the beginning of the month, the U.S. dollar/Singapore dollar exchange market opened trading at the SGD 1.28 level on October 1. Since the policy interest rate was cut significantly at the Federal Open Market Committee (FOMC) meeting held in September, the Federal Reserve Board (FRB) Chair Jerome Powell made a warning remark about consecutive and large-scale policy interest rate cuts. This slowed down the trend of U.S. dollar-selling in the market. At the beginning of the month, the September labor-related statistics (JOLT number of job postings, as well as ADP employment statistics) were announced on October 1 and 2 with figures that were stronger than expected. Furthermore, major economic indices including the ISM service index were announced on October 3 with figures that were stronger than expected. As a result, funds returned to the U.S. dollar. Following this trend, the U.S. dollar/Singapore dollar exchange rate rose and reached the SGD1.29 level in three days at the beginning of the month. On October 4, the August retail sales figure of Singapore was announced with a figure that was stronger than expected. However, this did not have significant impact on the foreign exchange market. On the other hand, the September employment statistics of the U.S. were released on the same day during the nighttime with figures that were stronger than expected. This led the U.S. dollar/Singapore dollar exchange rate to rise to the mid-SGD 1.30 level, recording a rise for the fifth consecutive day.

From October 7 to October 9, the U.S. dollar/Singapore dollar exchange rate did not move in any direction and continued fluctuating at the lower-SGD 1.30 level. On October 9 local time in Europe, interest rates in the U.S. started to rise, encouraging market participants to buy the U.S. dollar. As a consequence, the U.S. dollar/Chinese yuan exchange rate reached the upper-SGD 1.30 level. On October 10, the following day, the September CPI of the U.S. was announced, and the result turned out to be above the market estimate, which diminished expectations of policy interest rate cuts in the U.S. In reaction, the U.S. dollar/Singapore dollar exchange rate rose and almost reached the SGD 1.31 level. On October 11 local time in the U.S., the September Producer Price Index (PPI) of the U.S. (year-on-year) was announced, and the result was above the market estimate. However, it was at the lowest level in seven months, and this encouraged market participants to sell the U.S. dollar. As a result, the U.S. dollar/Singapore dollar exchange rate returned to the mid-SGD 1.30 level.

On October 14, some market participants bought the U.S. dollar to adjust the trend of U.S. dollar-selling seen in the previous week. Under such circumstances, the third-quarter GDP of Singapore was announced, and the result turned out to be 4.1%, above the market estimate (3.8%). Furthermore, the Monetary Authority of Singapore (MAS) announced the quarterly monetary policy at the same time, confirming the continued policy of monetary tightening. In reaction, market participants bought the Singapore dollar, even though this trend was limited and temporary. On October 16 local time in the U.S., market participants started to buy the U.S. dollar, having seen the strong figures in the accounting performance of financial institutions in the U.S. Following this trend, the U.S. dollar/Singapore dollar exchange rate rose to the mid-SGD 1.31 level. On October 21, an FRB official made a warning remark about the pace of policy interest rate cuts, and this led interest rates in the U.S. to rise further. Consequently, the U.S. dollar/Singapore dollar exchange rate rose to the upper-SGD 1.31 level.

On October 23, the September Consumer Price Index (CPI) of Singapore turned out to be above the market estimate. However, impact on the foreign exchange market was limited. On the other hand, the U.S. dollar interest rates rose further since trading hours in Asia, and the U.S. dollar/Singapore dollar exchange rate continued rising to reach the mid-SGD 1.32 level. Thereafter, toward October 30, the U.S. dollar/Singapore dollar exchange rate fluctuated in both directions within a narrow range, remaining at the same level.

2. Outlook for This Month

In November, the U.S. dollar/Singapore dollar exchange rate is forecast to remain strong with some fluctuations.

In October, the trend in the U.S. dollar/Singapore dollar exchange market observed in September was reversed, and the U.S. dollar/Singapore dollar exchange rate continued rising. In September, the FRB decided to raise its policy interest rate by 50 basis points. However, labor-related, inflation-related, and consumption-related indices were all released thereafter from the end of September toward October, confirming the strength of the U.S. economy. As a result, funds returned to the U.S. dollar. The FRB officials also emphasized that the policy interest rate cut in September was a proactive decision, and the pace of future policy interest rate cuts would be carefully decided. As a result, the policy interest rate cuts currently reflected in the market have diminished to 1.8 times before the end of the year and 5.3 times before the end of 2025. As has been pointed out by FRB Chair Jerome Powell, it is important to evaluate if the indices related to the U.S. dollar, which turned out to be stronger than expected, will remain strong this month, showing some consistency in strength.

It is also worth mentioning that the regular quarterly monetary policy meeting was held in Singapore, where it was decided to maintain the measures of monetary tightening that had been taken for almost two years. Indeed, there have generally been strong figures in various economic indices related to the economic conditions of Singapore announced by the monetary authorities. Furthermore, since the end of September, the U.S. dollar has currently been strengthening, while the Singapore dollar has been weakening based on factors related to the U.S. Therefore, it is likely that the monetary authorities in Singapore will decide to maintain a wait-and-see attitude and to shift to measures of monetary easing at the meeting in January or later, as their ideal trend from a medium- to long-term perspective is a moderate appreciation of the Singapore dollar. As was discussed at the beginning of this article, the U.S. dollar/Singapore dollar exchange rate is likely to fluctuate following the economic trends in the U.S., along with the outcome of the presidential election in the U.S., which is a short-term factor in the market. Therefore, the U.S. dollar/Singapore dollar exchange rate is forecast to remain strong with some fluctuations that may eventually lead to a further rise.

Kenta Suehiro, Bangkok Treasury Office, Asia & Oceania Treasury Department

Thai Baht – November 2024

Expected Ranges **Against the US$: THB 33.00–34.60**
Against the yen: JPY 4.40–4.60

1. Review of the Previous Month

In October, the downward trend in the U.S. dollar/Thai baht exchange market, which has continued since July, came to a halt.

In October, the U.S. dollar/Thai baht exchange market opened trading at the mid-THB 32 level. Expectations of policy interest rate cuts in the U.S. were fading due to the remark by Federal Reserve Board (FRB) Chair Jerome Powell made at the end of the previous month, emphasizing that there was no need to hurry in cutting the policy interest rate in the times ahead. Under such circumstances, the U.S. economic indices turned out to be strong, supporting the rise of the U.S. dollar/Thai baht exchange rate. On October 3, the September ISM non-manufacturing business confidence index of the U.S. turned out to be significantly above the market estimate, which led the U.S. dollar/Thai baht exchange rate to the THB 33 level. The intensification of the situation in the Middle East also accelerated the trend of U.S. dollar-buying. Furthermore, on the following day, the September employment statistics of the U.S. were released with generally strong figures, which encouraged market participants to buy the U.S. dollar against a wide range of other currencies. As a result, the U.S. dollar/Thai baht exchange rate continued rising and reached the mid-THB 33 level. However, the rise of the U.S. dollar/Thai baht exchange rate stopped at this level thereafter.

In the middle of the month, the September Consumer Price Index (CPI) of the U.S. turned out to be above the market estimate both in terms of the headline CPI and core CPI. However, at the same time, the number of new unemployment insurance claims in the U.S. was announced, and the figure turned out to be weaker than expected. In reaction, there were temporarily both selling and buying in the U.S. dollar/Thai baht exchange market at around the mid-THB 33 level. However, the trend of U.S. dollar-selling started to gradually become dominant thereafter, and the U.S. dollar/Thai baht exchange rate fell to the lower-THB 33 level. Then, on October 16, the Bank of Thailand (BOT) held its Monetary Policy Committee (MPC) meeting and decided to cut its policy interest rate by 0.25%, against the expectations of many that thought that the policy interest rate would be maintained at the existing level. Immediately after the announcement of the decision to cut the policy interest rate, the U.S. dollar/Thai baht exchange rate rose sharply to the mid-THB 33 level. However, with regard to future monetary policy, the BOT indicated that its cautious operations would continue, by stating in the statement that the policy interest rate should be in good balance with the potential growth rate so that a low policy interest rate would not cause long-term monetary imbalance. Thus, the U.S. dollar/Thai baht exchange rate started to fall and remained low, at around the lower-THB 33 level, for a while.

At the end of the month, expectations were growing for former U.S. President Donald Trump to win the presidential election in the U.S. scheduled for November, and this encouraged market participants to predominantly buy the U.S. dollar. As a consequence, the U.S. dollar/Thai baht exchange rate rose to the mid-THB 33 level. Thereafter, expectations for policy interest rate cuts in the U.S. faded, which kept the U.S. dollar/Thai baht exchange rate high. Thus, the U.S. dollar/Thai baht exchange rate continued rising slowly to reach the upper-THB 33 level.

As of 5:00 p.m. local time in Bangkok on October 30, when this article was being written, the U.S. dollar/Thai baht pair has been trading at the same level.

2. Outlook for This Month

In November, the U.S. dollar/Thai baht exchange market is forecast to be volatile due to external factors.

On October 16, the BOT held the MPC meeting and decided to cut its policy interest rate by 0.25% against the expectations of many. However, regarding this decision, the BOT repeatedly insisted that the policy interest rate was only readjusted. Furthermore, in the statement as well, the BOT indicated that the policy interest rate should not be so low to cause monetary imbalance for a long time, and thus it should be in good balance with the country's potential economic power. Thus, the BOT seems to remain highly cautious about future monetary policy. Indeed, the governor of the BOT, Sethaput Suthiwartnarueput, and the finance minister of Thailand, Pichai Chunhavajira, decided at the meeting held on October 29 that they would maintain the inflation target rate at the existing level (1.0–3.0%) for 2025, despite the request by the government to raise it. On the other hand, the media reported that the government had given a condition to the BOT such that it is to support the monetary policy and accelerate the economic growth of the country. Market participants should therefore continue carefully observing exchanges between the government of Thailand and the BOT.

Under such circumstances, the most-important event in the near future is the U.S. presidential election scheduled for November 5. The victory of former U.S. President Donald Trump has already been reflected in the market since the end of October, which has also impacted the U.S. dollar/Thai baht exchange market. Nevertheless, the media report that the outcome is not yet known. Therefore, it is very possible for the U.S. dollar/Thai baht exchange rate to become even more volatile in the times ahead. From a medium-term perspective as well, U.S. policies related to China will inevitably impact not only Thailand but also the entire ASEAN community. Thus, market participants should remain highly attentive of what policy will be taken. However, for now, market participants should carefully observe the most-important events of the year.

Kazuhiro Suzuki, Mizuho Bank (Malaysia) Berhad

Malaysian Ringgit – November 2024

Expected Ranges **Against the US$: MYR 4.20–4.55**
Against the yen: JPY 34.80–35.50

1. Review of the Previous Month

Thus far, the Malaysian ringgit had been appreciating too rapidly, Furthermore, policy interest rate cuts in the U.S. reflected in the market faded. As a result of these reasons, the Malaysian ringgit depreciated significantly in October. At the beginning of the month, the U.S. dollar/Malaysian ringgit exchange rate opened trading at the lower-MYR 4.1 level. However, there were a series of hawkish remarks from Federal Reserve Board (FRB) Chair Jerome Powell as well as from Federal Open Market Committee (FOMC) member Michelle Bowman such that they were not in a hurry to cut policy interest rates. As a result, the 10-year U.S. government bond yield rose to its highest level in approximately one month. Moreover, indices related to the U.S. employment market had turned out to be stronger than expected. Consequently, market participants started predominantly buying back the U.S. dollar. Thus, before the announcement of the employment statistics of the U.S., the U.S. dollar/Malaysian ringgit exchange rate reached the MYR 4.20 level. The September employment statistics of the U.S. turned out to be above the market estimate thereafter, which strengthened the U.S. dollar, leading the U.S. dollar/Malaysian ringgit exchange rate to rise further, reaching the MYR 4.28 level. There was also a negative factor for the Malaysian ringgit, as after long consecutive holidays in China, the Chinese monetary authorities did not announce any economic stimulus measures such as an increased issuance of government bonds, and this fueled the sense of desperation in the market.

In the middle of the month, the Chinese government announced economic stimulus measures based on the expansion of fiscal expenditures. However, the measures did not live up to the expectations in the market, thus failing to encourage market participants to buy the Malaysian ringgit. The September trade statistics of China were released thereafter, revealing a significant decline in exports, and this weakened the Malaysian ringgit. As a result, the U.S. dollar/Malaysian ringgit exchange rate approached the MYR 4.315 on October 15. Subsequently, the U.S. dollar/Malaysian ringgit exchange rate continued fluctuating at around the MYR 4.315 level. This level seemed to function as a resistance line, and thus the exchange rate did not exceed this level. On October 18, the Malaysian ringgit appreciated with growing expectations, as the announcement of the budget bill for 2025 was approaching in Malaysia. However, as long-term interest rates remained high in the U.S., the impact of the announcement of the budget bill was offset, and the U.S. dollar/Malaysian ringgit exchange rate remained at the mid-MYR 4.30 level, with weekly trading closing at this level.

At the end of the month, the third-quarter GDP of Malaysia was announced, and the result turned out to be +5.3% year-on-year, exceeding the 5% level for the second consecutive quarter after the second quarter. This demonstrated steady growth, especially in the service and manufacturing sectors. However, many expected that former U.S. President Donald Trump was likely to win the presidential election in the U.S., while some presidents of the U.S. Federal Reserve District Banks remained cautious about policy interest rate cuts. Under such circumstances, long-term interest rates in the U.S. rose to the level observed in July this year. Consequently, the Malaysian ringgit, along with other Asian currencies, depreciated against the U.S. dollar. In the last week of the month, the Malaysian ringgit continued depreciating against the U.S. dollar, and the U.S. dollar/Malaysian ringgit exchange rate continued rising to almost reach the MYR 4.40 level.

2. Outlook for This Month

In November, the U.S. dollar/Malaysian ringgit exchange rate is forecast to remain strong, although it depends on the outcome of the U.S. presidential election, which is a very important event in the market.

In October, the September employment statistics of the U.S. turned out to be markedly strong, as a result of which expectations for policy interest rate cuts that had been reflected in the market started to fade. Thus, at the time of this writing, the number of policy interest rate cuts expected by the end of 2024 and 2025 has decreased by nearly one compared to before the announcement of the employment statistics. Given that the statistics have revealed that salary increases are accelerating again, interest rates in the U.S. also rose, as market participants grew cautious about inflation pressure in the U.S., along with related remarks by monetary authority officials. As a consequence, the Malaysian ringgit depreciated sharply, leading the U.S. dollar/Malaysian ringgit exchange rate to substantially exceed the upper end of the expected fluctuation range. However, this only indicates that the expected end of the policy interest rate cuts moved slightly forward, which is not likely to cause long-term upward pressure on the U.S. dollar. The most-important event will be the outcome of the presidential election in the U.S. If the Republican Party wins the election, monetary policy is likely to focus on the domestic economy, which is likely to lead to the rise of interest rates and the appreciation of the U.S. dollar based on inflation pressure. If the Democratic Party wins the election, the U.S. dollar is not likely to appreciate as much as in the case of the victory of the Republican Party. However, in either case, the U.S. dollar is expected to strengthen after the election.

When it comes to domestic factors in Malaysia, the central bank of Malaysia is scheduled to hold a Monetary Policy Committee meeting on the following day of the presidential election in the U.S. However, it is likely that the outcome of the election will not be out yet at the time of the MPC meeting, and therefore the central bank of Malaysia is likely to maintain its policy interest rate at the existing level until the outcome of the election is out. Thus, the MPC meeting is not expected to impact the foreign exchange market significantly this time. The confirmed figure of the third-quarter GDP of Malaysia is scheduled to be out on November 15, and this is a positive factor for the Malaysian ringgit, as the preliminary figure turned out to be +5.3%. If the confirmed figure is as strong as the preliminary figure, the annual GDP growth would be approximately 5.1%, which marks an advancement toward 5.3%, the upper end of the GDP growth outlook released by the government and revised upward last month at the time of the budget bill. It is worrying that the September trade statistics of Malaysia revealed a decline in exports. However, if the figure recovers in the October statistics, expectations for economic growth in Malaysia are likely to grow once again. Given that the Malaysian economy is on a steady growth path, some market participants are expected to buy the Malaysian ringgit in November, unless there is unexpected turbulence in the presidential election in the U.S. However, the U.S. dollar/Malaysian exchange market is likely to remain unstable, fluctuating in accordance with media reports related to the presidential election in the U.S. Under such circumstances, market participants are more likely to buy the U.S. dollar. Thus, the U.S. dollar is forecast to remain strong against the Malaysian ringgit in the month ahead.

Masayuki Tsunashima, Asia & Oceania Treasury Department

Indonesian Rupiah – November 2024

Expected Ranges **Against the US$: IDR 15,400–16,000**
Against the yen: JPY 0.9615–1.0000 (IDR 100)

1. Review of the Previous Month

In October, the Indonesian rupiah depreciated against the U.S. dollar.

At the beginning of the month, the U.S. dollar/Indonesian rupiah exchange market opened trading at the mid-IDR 15,100 level on October 1. The September Consumer Price Index (CPI) of Indonesia was announced thereafter, and the result tuned out to be +1.84% year-on-year, slightly falling below +2.0%, which was the market estimate. Even though it was the first time in approximately three years that the CPI fell below the +2.0% level, there was only limited reaction in the market, and the U.S. dollar/Indonesian rupiah exchange rate continued fluctuating at around the IDR 15,200 level. On October 2, the media reported Iran's attack on Israel with ballistic missiles, which raised geopolitical risks. As a consequence, the Indonesian rupiah depreciated. On October 2 local time in the U.S., the September ADP employment statistics of the U.S. were released, with figures stronger than the market estimate, which encouraged market participants to buy the U.S. dollar further. Under such circumstances, the Indonesian rupiah continued depreciating in an accelerated manner, and the U.S. dollar/Indonesian rupiah exchange rate approached the IDR 15,400 level toward the close of the market on October 3. Then, on October 4 local time in the U.S., the September employment statistics of the U.S. were released with strong figures. In reaction, the U.S. dollar/Indonesian rupiah exchange market opened on October 7 local time in Asia at around the IDR 15,600 level, with a stronger U.S. dollar and a weaker Indonesian rupiah compared to the closing rate of the previous week. Thereafter, market participants continued predominantly buying the U.S. dollar, and the U.S. dollar continued appreciating against the Indonesian rupiah. As a result, the U.S. dollar/Indonesian rupiah exchange rate reached the upper-IDR 15,600 level toward October 8. On October 10 local time in the U.S., the September CPI of the U.S. was announced, and the result turned out to be slightly above the market estimate. However, the number of new unemployment insurance claims in the U.S. was also announced at the same time, revealing a figure weaker than the market estimate, which encouraged market participants to sell the U.S. dollar. Consequently, market participants continued selling the U.S. dollar in the U.S. dollar/Indonesian rupiah exchange market as well, and the exchange rate reached the upper-IDR 15,500 level on October 11. Since the appreciation of the U.S. dollar that was seen at the beginning of the month started to slow down, the U.S. dollar/Indonesian rupiah exchange rate remained low thereafter. On October 16, the central bank of Indonesia held a monetary policy meeting and decided to maintain its policy interest rate at the existing level, as had been anticipated by many in the market. However, some market participants were expecting a policy interest cut at this meeting, and thus the Indonesian rupiah appreciated slightly toward the end of the close of the market, leading the U.S. dollar/Indonesian rupiah exchange rate to reach the lower-IDR 15,500 level. Thereafter, the Indonesian rupiah continued appreciating gradually, and the U.S. dollar/Indonesian rupiah exchange rate reached the mid-IDR 15,400 level on October 18. However, in the following week, market participants expected former U.S. President Donald Trump to win the presidential election in the U.S., in reaction to which the U.S. dollar started to appreciate on October 21. Under such circumstances, the Indonesian rupiah depreciated against the U.S. dollar. In addition to the prospect of the victory of Donald Trump in the U.S.

presidential election, the policy interest rate cuts in the U.S. reflected in the market started to fade, which also accelerated the appreciation of the U.S. dollar. Thus, on October 25, the Indonesian rupiah depreciated further, and the U.S. dollar/Indonesian rupiah exchange rate reached the mid-IDR 15,600 level. Toward the end of the month, some market participants sold the Indonesian rupiah also based on actual demand, weakening the Indonesian rupiah further. In the end, the U.S. dollar/Indonesian rupiah exchange rate reached the mid-IDR 15,700 level, at which level monthly trading closed.

2. Outlook for This Month

In November, the Indonesian rupiah is forecast to remain weak.

In October, the U.S. dollar appreciated significantly, and the Indonesian rupiah depreciated against the U.S. dollar by approximately 4%, as geopolitical risks were growing, while expectations of policy interest rate cuts in the U.S. were fading, and many market participants were expecting former U.S. president Donald Trump to win the presidential election in the U.S.

On October 16, the central bank of Indonesia held a monetary policy meeting and decided to maintain its policy interest rate at the existing level. At the time of the September meeting, the central bank of Indonesia did not express its intention to cut its policy interest rate repeatedly. Thus, the decision taken at the October meeting had been anticipated by many in the market. It is likely that the central bank's decision not to cut its policy interest rate was also significantly motivated by the fact that the U.S. dollar was appreciating. Since the U.S. dollar was appreciating in the overall foreign exchange market, the central bank may have wanted to avoid a depreciation of the Indonesian rupiah by cutting the policy interest rate of Indonesia.

In the middle of the month, there were some phases in which the Indonesian rupiah appreciated slightly against the U.S. dollar. However, around the same time, other Asian currencies continued depreciating against the U.S. dollar with a contrasting trend. Thus, given the attitude of the central bank to prioritize the stability of the Indonesian rupiah, it is possible that the central bank of Indonesia intervened in the foreign exchange market.

As the central bank of Indonesia maintains the attitude to prioritize the stability of the Indonesian rupiah, it is difficult to expect the central bank to additionally cut the policy interest rate while the U.S. dollar remains strong. In April this year, the governor of the central bank of Indonesia, Perry Warjiyo, made a remark to expect the U.S. dollar/Indonesian rupiah exchange rate to fluctuate at the IDR 15,800 level in the October–December quarter. Thus, for the central bank to decide to cut the policy interest rate further, it is necessary for the Indonesian rupiah to strengthen so that the U.S. dollar/Indonesian rupiah exchange rate will not significantly exceed the IDR 15,800 level even with the policy interest rate cut.

While the future trend would depend on the outcome of the presidential election in the U.S., the U.S. dollar is likely to remain strong, under the circumstances that geopolitical risks are expected to persist and the U.S. economy is likely to remain strong. Thus, the central bank of Indonesia is expected to refrain from further policy interest rate cuts and to continue controlling the depreciation of the Indonesian rupiah by intervening in the foreign exchange market, if necessary.

Shunsuke Fukuda, Manila Treasury Office, Asia & Oceania Treasury Department

Philippine Peso – November 2024

Expected Ranges **Against the US$: PHP 57.00–58.75**
Against the yen: PHP 0.375–0.395

1. Review of the Previous Month

In October, the Philippine peso depreciated significantly against the U.S. dollar, and the U.S. dollar/Philippine peso exchange rate reached the level observed in August.

At the beginning of October, the U.S. dollar/Philippine peso exchange market opened trading at PHP 56.20. Since September, in which the Federal Open Market Committee (FOMC) decided to cut its policy interest rate significantly by 50 basis points, the Philippine peso has been gradually depreciating. Under such circumstances, some market participants expected the central bank of the Philippines to cut their policy interest rate in October more significantly than previously anticipated. As a result, market participants changed their attitude and started to sell the Philippine peso, and this impacted trends in the U.S. dollar/Philippine peso exchange market. On October 4, the September price statistics of the Philippines were released, attracting substantial attention in the market. The Consumer Price Index (CPI) turned out to be +1.9% year-on-year, whereas the estimate was +2.5% and the previous result in August was +3.3%, recording the lowest figure since May 2020. The CPI recorded negative growth of 0.2% from the previous month, whereas the estimate was +0.3% and the previous result was +0.1%. In terms of sector breakdown, although figures generally declined, those in the food and transport sectors saw significant decrease. Thereafter, the governor of the central bank of the Philippines, Eli Remolona, made a remark, implying his intention to cut the policy interest rate by around 50 basis points before the end of the year, as was the case previously. Subsequently, the September employment statistics of the U.S. were released with generally strong figures. In reaction, market participants started to buy the U.S. dollar globally in an accelerated manner. By the middle of October, the U.S. dollar/Philippine peso exchange rate reached the PHP 57 level and continued rising to approach the PHP 58 level.

On October 16, the central bank of the Philippines held a monetary policy meeting and decided to cut its policy interest rate by 25 basis points. At the press conference, the governor of the central bank of the Philippines, Eli Remolona, made a remark indicating a plan to cut the policy interest rate further by 25 basis points at the December central bank meeting and possibly by another 100 basis points in 2025. With regard to the inflation outlook, on the other hand, he revised the outlook for 2024 from the figure announced in August, +3.3% downward to +3.1%, and for 2025 from the figure announced in August, +2.9% upward to +3.3%, while announcing the outlook for 2026 at +3.7%. Having seen the outcome of the central bank meeting and reacting to these projections, market participants adjusted positions through transactions in both directions. As a result, the U.S. dollar/Philippine peso exchange rate continued fluctuating within a narrow range between the mid-PHP 57 level and the upper-PHP 57 level.

At the end of the month, the central bank of the Philippines made an unexpected announcement to close the U.S. dollar/Philippine peso exchange market on October 23 and 24, due to a typhoon. On October 25, the U.S. dollar/Philippine peso exchange market was opened again, and the U.S. dollar/Philippine peso exchange rate reached the PHP 58 mark. Toward the end of the month, market participants continued predominantly buying the

U.S. dollar. The Philippine peso remained at its lowest level seen since the beginning of August this year.

2. Outlook for This Month

With many important events in November, the U.S. dollar/Philippine peso exchange rate is forecast to fluctuate at around the PHP 58 level.

Many important events are scheduled for the beginning of November. The October employment statistics of the U.S. are scheduled to be out on Friday, November 1, the U.S. presidential election is scheduled for Tuesday, November 5, and the FOMC meeting is scheduled for Wednesday, November 6 and Thursday, November 7. (As of this writing, the estimate by market participants is a policy interest rate cut of 25 basis points.) On the other hand, in the Philippines, the price statistics is scheduled to be out on Tuesday, November 5, and the July–September quarter GDP is scheduled to be out on Thursday, November 7.

In November, the U.S. dollar/Philippine peso exchange rate is likely to fluctuate rapidly in accordance with the outcome of the above events. Since events in both the U.S. and the Philippines can significantly influence the U.S. dollar/Philippine peso exchange market, the U.S. dollar/Philippine peso exchange rate is expected to fluctuate mainly around the PHP58 level.

Since October, market participants have been highly aware of the strong figures in the U.S. economic indices as a confirmation of a strong U.S. economy, and this has led to a rise in long-term interest rates in the U.S. as well as to the global trend of U.S. dollar-buying. Consequently, the U.S. dollar/Philippine peso exchange rate rose to approach its lowest rate in the year for the Philippine peso observed in June and July this year. Currently, the U.S. dollar/Philippine peso exchange rate is at the PHP 58 level. However, the rise of the exchange rate is expected to slow down in the times ahead. Market participants are advised to keep in mind that remittances from overseas Filipino workers (OFWs) tend to increase toward the end of the year, which makes it likely for demand to buy the Philippine peso to increase intermittently in the coming month.

On the other hand, once the U.S. economic indices start to weaken, it is possible for a pessimistic view to strengthen significantly, offsetting the optimistic view that was dominant so far. Recently, the U.S. dollar/Philippine peso exchange rate tends to fluctuate violently within a day. Therefore, market participants are also advised to remember risks for the U.S. dollar/Philippine peso exchange rate to fluctuate violently within the estimated fluctuation range.

Shuhei Watahiki, India Treasury Office, Asia & Oceania Treasury Department

Indian Rupee – November2024

Expected Ranges **Against the US$: INR 83.40–84.30**
Against the yen: JPY 1.76–1.89

1. Review of the Previous Month

In October, the U.S. dollar/Indian rupee exchange rate remained flat above the INR 84 mark.

In October, the U.S. dollar/Indian rupee exchange market opened trading at the lower-INR 83.80 level. At the beginning of the month, the Indian rupiah weakened gradually, due to the growing upward pressure on the U.S. dollar. As a result, the U.S. dollar/Indian rupee exchange rate exceeded the INR 84 mark. In the middle of the month, the Indian rupee did not depreciate excessively against the U.S. dollar, as the Reserve Bank of India (RBI) intervened in the foreign exchange market by selling the U.S. dollar and buying the Indian rupee in order to keep the U.S. dollar/Indian rupee exchange rate from rising further. Toward the end of the month, the Indian rupee remained weak, and the U.S. dollar/Indian rupee exchange rate did not fluctuate significantly. In the end, the U.S. dollar/Indian rupee exchange market closed at the lower-INR 84 level (as of October 25).

The BSE SENSEX started trading at around the 85,500 level at the beginning of the month, after which it started to fall gradually. After reaching the highest level in the year, the index fell due to transactions that seemed to be profit-taking selling. As a result, the BSE SENSEX once fell below the 80,000 level toward the end of the month. However, the index started to rally again from this level, demonstrating its stability (as of October 25). In terms of investment capital inflow into the Indian stock market from foreign investors, there was a remarkable net sell in October. Market participants are therefore advised to continue observing the market to see whether capital outflow will continue in November.

In terms of the economic indices of India, the September Purchasing Managers' Index (PMI) for the manufacturing and service industries turned out to record negative growth from the previous month. At the October meeting, the Monetary Policy Committee (MPC) decided to maintain its policy interest rate at the existing level (6.50%) for the 10th consecutive time. On the other hand, the monetary policy stance was shifted from policy interest rate hikes to neutral. The September Consumer Price Index (CPI, year on year) turned out to be +5.49%, recording a significant increase from the +3.65% observed in the previous month. Also, the September trade balance revealed a decrease in trade deficit. However, there was a deficit, as has always been the case. Thus, the Philippine peso remained a weak currency.

2. Outlook for This Month

In November, the U.S. dollar/Indian rupee exchange rate is forecast to fluctuate at around the INR 84 mark.

In November, the U.S. dollar/Indian rupee exchange rate is forecast to fluctuate within a narrow range at around the INR 84 mark. In October, the U.S. dollar/Indian rupee exchange rate rose from the upper-INR 83 level to the

INR 84 mark, and after that, it remained at the lower-INR 84 level without moving significantly. The RBI previously intervened in the foreign exchange market by buying the U.S. dollar and selling the Indian rupee in order to control pressure to sell the U.S. dollar and to keep the U.S. dollar/Indian rupee exchange rate from falling further. However, the RBI is now intervening in the foreign market by selling the U.S. dollar and buying the Indian rupee in order to control the excessive depreciation of the Indian rupee and to keep the U.S. dollar/Indian rupee exchange rate from rising further. Since the RBI is likely to continue intervening in the market to keep the U.S. dollar/Indian rupee from rising further, the U.S. dollar/Indian rupee exchange rate is expected to remain generally at around the INR 84 level.

At the Monetary Policy Committee (MPC) meeting held in October, the policy interest rate was maintained at the existing level, at 6.50%. However, the monetary policy stance changed from policy interest rate hikes to neutral. Thus, market participants can now start predicting policy interest rate cuts. However, the measures to control inflation continue, and it is still a phase to evaluate the inflation level. Under such circumstances, the September CPI reached the +5% level once again, partly because the base effect has faded. The governor of the RBI, Shaktikanta Das, also made a remark to emphasize that it would be too early to cut the policy interest rate at this point. Therefore, even though it is certain that India has entered a phase of policy interest rate cuts, it is increasingly likely that the start of policy interest rate cuts will be brought forward.

In terms of investment capital inflow, there was a remarkable net sell in the Indian stock and bond markets in October. Market participants are thus advised to observe whether investment capital will return in the coming months. The Indian rupee is still expected to appreciate due to the strengthened pressure to sell the U.S. dollar, resulting from the policy interest rate cuts in the U.S. However, given that this trend has already been reflected in the market, U.S. dollar-selling may not impact the U.S. dollar/Indian rupee exchange market as much as previously expected. On the contrary, it is possible that capital inflow into the U.S. will resume after the presidential election in the U.S.—the most-important event before the end of the year. Furthermore, the RBI is likely to continue intervening in the foreign exchange market to keep the U.S. dollar/Indian rupee exchange rate from falling when the Indian rupee appreciates excessively, and there will also be outflow (Indian rupee-selling) based on actual demand. Thus, the Indian rupee is forecast to start depreciating against the U.S. dollar again.