Mizuho Dealer's Eye

February 2025

Mizuho Bank, Ltd.

Global Markets Sales & Trading Department

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U.S. Dollar – February 2025

Expected Ranges **Against the yen: JPY152.00–157.00**

Outlook for This Month

Though the dollar/yen pair will be supported by Japanese/US interest-rate differentials in February, it will continue to fluctuate on headlines related to the Trump administration, so caution will be needed.

The Bank of Japan (BOJ)'s Monetary Policy Meeting implemented a +25bp rate hike when it met in January. The BOJ decided to adjust the scale of monetary easing on the grounds that real interest rates would remain significantly negative and the monetary environment would remain accommodative if the economy and prices remained "on track." However, it seems the BOJ will now sit back and monitor the impact of its rate hike for the time being. Momentum for wage hikes might grow ahead of the spring wage negotiations, but it seems unlikely the markets will rush to price in further rate hikes during February.

The FOMC kept policy rates fixed when it met to set policy over January 28–29. After the meeting, FRB chair Jerome Powell said there was no hurry to adjust the FRB's policy stance, so a rate cut seems unlikely provided inflation keeps heading towards +2% and the labor situation does not deteriorate. The FRB will be gathering data in February, with noteworthy releases including the US January employment data (January 7) and the January CPI data (January 12). As long as these indicators do not come in sharply below expectations, investors will probably stick to their forecast for two US rate cuts in 2025. Japanese/US interest-rate differentials remain wide and carry trades are recommencing, with the dollar/yen pair likely to move firmly this month.

The moves of the Trump administration will require ongoing monitoring too. The first thing to watch will be the impact of the tariff policies set to kick in at the start of February. The tariffs will cover more countries this time and the greenback might be pushed higher if the tariffs turn out to be tougher than expected. However, an unexpected announcement could also lead to rising risk aversion, with the currency pair sliding for a time as stocks and interest rates fall across the globe, so caution will be needed. President Trump has also indicated that he wants to control inflation. If concerns grow about faster inflation and US long-term interest rates fall back after previously rising, the pair could face some adjustment.

Dealers' Market Forecast

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

Bullish on the dollar	10 bulls	158.00 – 152.50	Bearish on the dollar	6 bears	151.00 – 157.00

* Ranges are central values

Miyachi	Bull	159.50 – 153.50	Yen-buying factors have dissipated now the BOJ rate hike is out of the way. The dollar/yen pair will probably rise on Japanese supply and demand conditions and dollar-buying factors released to the Trump administration. There are also concerns about stock corrections and some short-term unwinding of dollar longs, but the pair will have its topside tested this month.
Kawai	Bull	158.50 – 152.50	BOJ governor Kazuo Ueda gave a hawkish press conference after last month's BOJ MPC meeting. Japanese long-term interest rates have soared entering 2025, but if these now regain composure, Japanese/US interest-rate differentials will stop shrinking too. There will also be considerable appetite for buying below 155 yen, so the dollar/yen pair looks set to move firmly.
Kawabata	Bear	158.00 – 152.00	As expected immediately beforehand, the BOJ implemented a rate hike and the FOMC kept policy fixed in January, with the dollar/yen pair falling as a result. With every major country apart from the US still in a rate-cut cycle, it is hard to imagine the yen moving bearishly across the board again, so the dollar/yen pair's recovery will be muted.
Kato	Bear	157.00 – 148.00	Teikoku Databank's data has shown that yen bearishness and labor costs lie behind soaring food prices, with households likely to feel a sharp pinch should the yen weaken and the dollar/yen pair climb 150 yen or more. There are pros and cons to a weak yen, but the cons are making themselves felt more, so the authorities will no longer be able to just sit back and see what happens.
Yamazaki	Bear	155.00 – 152.50	The yen will rise as Japanese/US interest-rate differentials shrink. Investors should remain on guard against Trump risks, but the dollar/yen pair will probably edge lower as its topside grows heavier. However, its downside will also be capped by the firmness of the US economy.
Yamaguchi	Bull	157.00 – 152.00	There are many hurdles in the way of further BOJ rate hikes. With the US economy also moving firmly, the FRB might push back the timing of further rate cuts too. The dollar/yen pair will probably move firmly with an eye on Japanese/US interest-rate differentials. There could be some temporarily risk aversion on comments by Donald Trump, so caution will be needed.
Tagawa	Bull	158.50 – 152.50	The dollar/yen pair will move in a range around 155 yen. Amid a dearth of yen-buying factors, the pair will edge higher on news related to tariffs. The previous FOMC meeting gave no hints about the possibility of a rate cut at the March meeting. If the consensus about rate cuts shifts in one direction or another, the currency pair will probably follow suit.
Matsunaga	Bull	157.00 – 153.00	With the BOJ and FRB only expected to tweak policy slightly, the dollar/yen pair's movements will probably be shaped by the Trump administration's tariff policies. The greenback will probably rise in the medium term, but its topside will be capped in the short term as risk sentiments worsen on uncertainty.
Katoono	Bear	157.00 – 150.00	The dollar/yen pair's movements were shaped by speculation about the Trump administration's policies last month, but this month will see the risks of these policies becoming clearer. The markets will probably react badly to tit-for-tat tariffs and political fragmentation. However, there will be real-demand buying by importers and buying on the dip if the pair drops below 150 yen for the first time in two months, so the pair will move firmly overall.
Okuma	Bull	158.00 – 153.00	The dollar/yen pair will be weighed down by uncertainty about the Trump administration's tariff policies, but US consumer spending and the labor market is moving firmly compared to other major countries, with the US likely to remain the best performer in February too. Though dollar bullishness has peaked out, the pair is likely to continue moving firmly.
Ito (Motoi)	Bear	157.00 – 149.00	With the monetary policy meetings in Japan and the US out of the way, February with be a month with few catalysts. If momentum for wage rises increases ahead of the spring wage negotiations in Japan, expectations for BOJ rate hikes will climb again on strong inflation and so on.

Han	Bull	159.00 – 153.50	Yen-buying factors are thin on the ground now the January BOJ's Monetary Policy Meeting is out of the way. The greenback will rise as Donald Trump's policies become clearer.
Suzuki	Bull	157.50 – 152.50	The yen's rise will be restrained, even if it seems the BOJ will lift rates. There is some speculation about further rate hikes, but yen-buying factors will be thin on the ground. With President Trump's policies also prompting dollar bullishness, the dollar/yen pair will move firmly.
Nishi	Bull	158.00 – 152.50	There is a dearth of factors pushing the yen higher after the BOJ implemented a rate hike in January. The dollar/yen pair will probably edge higher on the difference in Japanese and US monetary policy. However, stocks might fall and the yen might be bought on risk aversion and the Trump administration's behavior, so caution will be needed.
Harada	Bull	157.00 – 152.00	Market participants will be monitoring the impact of the Trump administration's policies, with the BOJ and FRB also likely to tread carefully when it comes to any policy shifts. With US economic indicators moving firmly, there are few dollar-selling factors, so the dollar/yen pair will move firmly.
Matsuki	Bear	157.00 – 152.00	Now the monetary policy meetings in Japan and the US are out of the way, the markets will be monitoring the Trump administration's policies for the time being. The yen might rise if risk assets face some adjustment on fears that the global economy might be pushed down by retaliatory tariffs and so on.

Shuhei Harada, Forex Sales, Global Markets Sales & Trading Department

Euro – February 2025

Expected Ranges **Against the US$: US$1.0100–1.0500**
Against the yen: JPY156.00–164.00

Outlook for This Month

The euro/dollar pair is expected to move bearishly in February. A glance at eurozone and US monetary policy reveals how the January ECB Governing Council implemented a -25bp rate cut for the fourth straight meeting, with its policy rate now standing at 2.75%. In her press conference, ECB president Christine Lagarde adopted a positive stance towards further rate cuts when she said "at this point in time we are still in restrictive territory, and we have not had a discussion, because it would be premature at this point in time about the point where we have to stop. We know the direction of travel." With the Council indicating its intention to lower rates down to the neutral rate of around 2.00%, the markets may move to price in more rate cuts. On the other hand, the FOMC decided not to cut rates in January. FRB chair Jerome Powell adopted a prudent stance towards further rate cuts when he said the FRB was "not in in a hurry to make further adjustments," adding that uncertainty might rise on policy shifts by the Trump administration. Given all this, it seems investors will focus on the different pace of rate cuts in the US and the eurozone, with the euro likely to be pushed downward and the dollar upward.

President Trump has also grumbled about US trade with the eurozone and he has threatened to hit the zone with more tariffs unless it buys more US-made cars and agricultural products or imports more US petroleum and gas, so higher tariffs seem a very real possibility.

As for the eurozone political situation, the administration of Olaf Scholz has crumbled in Germany and a general election will be held there on February 23, with political uncertainty likely to linger for a while. In France, meanwhile, the cabinet of François Bayrou collapsed after three months. A new cabinet has now launched, but parliament remains in turmoil. With political instability smoldering away inside the eurozone's big two countries, it seems the euro/dollar pair will continue to trade with a heavy topside. As mentioned above, there is a clear divergence in the monetary policies of the eurozone and the US. It also seems likely the Trump administration will hit the eurozone with higher tariffs. With political instability also likely to linger in Germany, France and elsewhere in the eurozone, the currency pair looks set to trade bearishly in February.

Dealers' Market Forecast

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

Bullish on the euro	1 bull	1.0550 – 1.0150	Bearish on the euro	15 bears	1.0550 – 1.0100

* Ranges are central values

Miyachi	Bear	1.0550 – 0.9950	The Trump administration's policies will continue to support the dollar overall. With the eurozone's fundamentals also pointing to stagflation risk, there could be some position adjustments, with investors likely to continue building up euro shorts.
Kawai	Bear	1.0550 – 1.0100	The euro/dollar pair will be swayed by US/eurozone fundamentals and the monetary policy stances of the FRB and ECB. If energy prices rise on the Trump administration's tariffs, the pair could lose some support on the real-demand front. Though it began rising in the latter half of January, the pair will probably drop back again this month.
Kawabata	Bear	1.0600 – 1.0200	The ECB remains in rate-cutting mode. Though a lot will depend on wages and other movements within the eurozone, it seems the euro will still be prone to selling against the dollar on the monetary policy direction. The euro/dollar pair will be bought back at times on speculation about the scale of rate cuts from the next ECB Governing Council meeting onwards, but the pair will probably fall on the whole.
Kato	Bear	1.0500 – 1.0000	There is a lack of political and economic vitality in Germany, France and the rest of the eurozone. A glance at the Trump administration's stance suggests the eurozone will face troubles at home and abroad. With the US growing stably, investors will probably focus on the divergence between the US and the eurozone.
Yamazaki	Bear	1.0550 – 1.0150	The euro/dollar pair will weaken as market participants focus on the strength of the US economy. Canada and Mexico are facing Trump risks right now, but with the eurozone continuing to lower rates, the currency pair looks set to move bearishly on the divergent economic situations in the US and Europe.
Yamaguchi	Bear	1.0550 – 1.0000	The eurozone economy is stagnating and there is growing political instability in Germany and France. There is also a risk that the Trump administration might levy more tariffs on the eurozone going forward. With the ECB the only major central back to drop hints about rate cuts at the next meeting, the euro/dollar pair is likely to remain bearish this month.
Tagawa	Bear	1.0620 – 1.0050	Though the euro/dollar pair seemed to have bottomed out mid-January, there is a clear policy divergence between the FRB and ECB (with investors fully pricing in three ECB rate cuts this year), so the pair will probably trend lower again this month.
Matsunaga	Bull	1.0550 – 1.0150	While the ECB looks set to continue lowering rates, the FRB has adopted a cautious stance toward further rate cuts. However, the markets have priced this in to a large extent. Even if the Trump administration levies some tariffs, negotiations will then take place about scrapping or easing these measures, so it seems the euro/dollar pair will have considerable topside room in the short term.
Katoono	Bear	1.0500 – 1.0150	There are clear concerns that the eurozone economy will be pushed down by Trump tariffs and political instability, so the ECB Governing Council will find it easy to justify further rate cuts from March onwards. The euro/dollar pair could be pushed mechanically toward parity when it weakens, so caution will be needed.
Okuma	Bear	1.0550 – 1.0050	There are strong concerns that European economic growth might stagnate, with Germany and France slipping into negative growth, for example. President Trump's stance is also leading to wider trade frictions and this could exacerbate the eurozone's economic weakness, with the euro likely to move bearishly.
Ito (Motoi)	Bear	1.0550 – 1.0100	There is lingering uncertainty about the eurozone economic and political situation, with this unlikely to disappear any time soon. Though the Trump administration's policies could act as headwinds for the eurozone economy, there are unlikely to be any tailwinds.

Han	Bear	1.0550 – 1.0000	There are lingering concerns about a eurozone economic slowdown. With the ECB inclined in an accommodative direction, the euro will be a hard currency to buy. President Trump's tariffs will also be a negative factor for Europe.
Suzuki	Bear	1.0500 – 1.0200	As ECB president Christine Lagarde has indicated, there are some dark clouds ahead for the eurozone economy. With Europe's major countries continuing to face political instability, the ECB is likely to remain in easing mode, with the euro/dollar pair set to move bearishly.
Nishi	Bear	1.0650 – 1.0200	The eurozone economy remains in the doldrums and it will continue to be swayed by the Trump administration's policies. The euro/dollar pair looks set to trade with a heavy topside overall. Euro short positions have accumulated on concerns about the impact of the Trump administration. The currency pair might bounce back if these positions are unwound, so caution will be needed.
Harada	Bear	1.0500 – 1.0100	There is a clear monetary policy divergence between the eurozone and the US. It also seems likely the Trump administration will hit the eurozone with higher tariffs. With political uncertainty in the eurozone also likely to linger, the euro/dollar pair will move bearishly this month.
Matsuki	Bear	1.0500 – 1.0000	Though the FRB has expressed caution about further rate cuts, the ECB has said it is too early to stop lowering rates. The euro/dollar pair look set to continue moving bearishly on these divergent monetary policies. The pair will also continue to swing up and down on the Trump administration's policies.

Motoki Amanuma, Europe Treasury Department

British Pound – February 2025

Expected Ranges **Against the US$: US$1.2150–1.2650**
Against the yen: JPY189.00–201.00

1. Review of the Previous Month

The pound was sold sharply in January, though it then bounced back after Donald Trump's inauguration, with sterling falling slightly overall. With the UK set to release more new government bonds, an auction of 30-year gilts recorded a low bid-to-cover ratio on January 8. There was considerable uncertainty, with inflation persistent, growth low, and concerns about the UK's finances rising again. UK bond markets fell sharply as a result, with yields on 30-year gilts soaring to their highest levels since 1998. Despite rising interest rates, the GBP/USD pair was sold sharply to $1.2100 during this time, with the pair temporarily tumbling by 3% or more from the start of the year. As the UK released a series of worse-than-expected economic indicators, it seems that the recent budget (announced October last year) was leading to inflation as employers passed through rising national insurance costs onto prices. The UK December CPI data was then released on January 15 and this was down on expectations, so inflation concerns eased and the pound rose after previously being sold. However, the CPI data was in line with BOE forecasts and it also seemed that market participants had overly priced in the impact of falling flight prices and so on over Christmas. With investors also expecting the pound's value as a high-interest currency to decline on anticipation for rate cuts, sterling was soon sold back. On January 20, the greenback was comprehensively sold ahead of Donald Trump's inauguration on speculation that tariff moves would be softer than feared. The currency pair jostled up and down towards the month's end, but the US dollar remained bearish and the pair eventually pared back its early-January losses.

2. Outlook for This Month

Sterling is likely to be sold against the dollar in February, with the GBP/USD pair moving with a heavy topside. The BOE will be meeting to set policy on February 6. As of January 29, bets on a -25bp had already risen close to 96% in the swap markets. With economic indicators continuing to underperform market expectations since the turn of the year, there are concerns about low growth. Amid fiscal concerns, the new Labour administration ramped up tax revenues by raising employer national insurance contributions when it announced its Autumn Budget at the end of October last year. Observers believe this will weigh down growth as it negatively impacts the economy by increasing business costs. If the BOE inclines in a dovish direction in response to low growth, real yields on UK gilts (yields subtracting inflation expectations) could slip into negative territories, with the pound losing its value as a high-interest currency. Amid lingering concerns about rising energy costs, inflation remains stubbornly high (apart from in December, when the CPI data was pushed lower by seasonal factors). As such, there are concerns that the UK is moving closer to stagflation (low growth and persistent inflation). The US's trade balance with the UK is in the black, so US tariffs will probably impact the UK less than they will the eurozone. Though closely-watched 30-year gilt yields stopped soaring at the start of the month, they remain high. With bond markets moving erratically and the CPI data coming in below expectations, the BOE is unlikely to make any hawkish noises this month.

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

Australian Dollar – February 2025

Expected Ranges **Against the US$: US$0.6090–0.6380**
Against the yen: JPY94.70–99.40

1. Review of the Previous Month

The AUD/USD pair rose to $0.6302 at the start of January on headlines about the Trump administration's tax policies and news that the administration might scale back its tariff policies. However, the pair fell to around $0.6250 when President Trump poured cold water on these reports. The pair then plunged to around $0.6140 on January 10 after the US December employment data topped market expectations. On January 13, the pair fell to $0.6131 for the first time since April 2020, though it rallied thereafter.

The US December CPI data was released mid-January and it was much as expected, so the Australian dollar was bought and the pair rose to around $0.6250. The Australian dollar then weakened after Australia's December employment data posted a sharp fall in full-time jobs, but stocks rose and the greenback fell on Donald Trump's inauguration day after he postponed the implementation of new tariff measures, so the currency pair then strengthened to around $0.6290.

The pair climbed to around $0.6320 late January after President Trump made some dovish comments about tariffs on China. The BOJ then announced a further rate hike, so the yen gradually strengthened and the US dollar was sold, with the AUD/USD pair temporarily hitting a monthly high of $0.6330. Australia's 4Q CPI data was down on forecasts on both a q-o-q and a y-o-y basis, so the pair was sold back slightly to drop to around $0.6230.

2. Outlook for This Month

Speculation has swirled since the turn of the year about whether President Trump would implement large-scale tariffs from the day of his inauguration. With the greenback also rising on the strong results of the US December employment data, the AUD/USD pair hit a low of $0.6131 for the first time since April 2020. President Trump signed a lot of presidential decrees on his first day in office, but he delayed imposing any tariffs, so the markets then switched into risk-on mode. For consecutive days, the currency pair swung up and down as the "Trump show" began again after a four-year break. However, reports suggest Trump held cordial talks with Chinese President Xi Jinping recently, so there are now ballooning hopes that anti-Chinese tariffs will not be as hawkish as originally feared.

The FOMC kept policy fixed when it met in January, with its statement being revised in a hawkish direction. With Australia's 4Q CPI data falling below expectations, though, investors are pricing in a rate cut at the next RBA meeting in February. At the time of writing, the likelihood of a 25bp rate cut stands at around 75%. The AUD/USD pair's downside could be tested further this month on widening US/Australian interest-rate differentials. The Trump administration has also dropped hints about the imposition of tariffs from February onwards, so investors should be on guard against any risk aversion related to headlines.

Yasuko Iwata, Canada Markets Office, Americas Markets Department

Canadian Dollar – February 2025

Expected Ranges	**Against the US$: C$1.4200–1.4700**
	Against the yen: JPY105.50–109.00

1. Review of the Previous Month

More voices had called for Canadian prime minister Justin Trudeau to resign late 2024 and on January 6 he officially announced he would be stepping down, though the impact on the markets was muted. As with December, the Canadian dollar moved heavily on uncertainty about Donald Trump's tariffs in January. The US released some strong economic indicators early January, including the Non-manufacturing ISM Report on Business and the employment data. Expectations also grew that the FRB would slow the pace of rate cuts on concerns that inflation might flare up again under the Trump administration. As such, the USD/CAD pair continued trading broadly around C$1.43–1.44. News emerged mid-January that Donald Trump's economic team were looking into lifting tariffs in stages rather than in one fell swoop, so concerns about tariffs eased. With the US December CPI data also suggesting inflation was slowing, the greenback weakened against other major currencies and it was also sold temporarily to C$1.4302 against the Canadian dollar. On January 20, just before Donald Trump's inauguration, a major US newspaper reported that the president would delay imposing sanctions on his first day in office. As a result, the USD/CAD pair fell to a monthly low of C$1.4262. After his inauguration, though, Donald Trump said he would slap a maximum 25% tariff on goods from Canada and Mexico by February 1, so the currency pair then climbed to C$1.4516 during Asian trading time. However, President Trump called for interest rate cuts late January and he also said he would rather not impose tariffs on China, with the greenback then falling against most major currencies on this softer tone. Nonetheless, Trump continued to mention hitting Canada and Mexico with a further 25% tariff on February 1, so the greenback faced less selling pressure and the USD/CAD pair continued trading between the lower-$1.43 level and the lower-$1.44 mark.

2. Outlook for This Month

When the Bank of Canada (BOC) met on January 29, it implemented a new 0.25% rate cut, with its policy rate lowered to 3.00%. Its statement said the Canadian economy had gradually strengthened after rate cuts commenced in June last year, with inflation also expected to remain around target. However, the statement also said Canada's economic recovery would be tested if the Trump administration imposed wide-ranging and substantial tariffs. It also predicted that growth would be weaker than forecast in October as population growth slowed after the government lowered its immigration target. It said GDP would hit 1.3% in 2024 (up from 1.2% in October), though it downgraded its forecast for 2025 and 2026 to 1.8% apiece (down from 2.1% and 2.3%, respectively). It also said GDP might slow further and prices would probably rise if trade frictions dragged on. Around 77% of Canada's goods exports go to the US (as of 2023). As the BOC mentioned, the biggest threat to the Canadian economy right now is the direction of the Trump administration's tariffs and the Canadian government's response (including retaliatory tariffs). As of January 30, it was hard to predict the details, but with Canada also holding a general election from spring, it seems tariff discussions will drag on for a while yet. In fact, the USD/CAD pair soared from the lower-C$1.44 mark to C$1.4595 just after 3pm on January 30 (Canadian time) on headlines that the Trump administration would be hitting Canada and Mexico with a 25% tariff on February 1. This suggests the Canadian dollar could weaken further depending on the response of the two countries. However, if the tariffs are small or are avoided altogether, the pair will probably recover to C$1.42.

Shuhei Yamauchi, Seoul Treasury Office, East Asia Treasury Department

Korean Won – February 2025

Expected Ranges **Against the US$: KRW 1,415–1,475**
Against the yen: JPY 10.40–11.00 (KRW100)

1. Review of the Previous Month

The USD/KRW pair fell in January.

The pair opened the month trading at KRW1475.1. The pair moved with a heavy topside early January as real-demand investors apparently bought more won. The won was also supported by news that South Korea's National Pension Fund had sold foreign currencies to support the won. However, the pair's room on the downside was capped when the BOK's governor said the bank's policy rate would be gently lowered in the face of political turmoil and a slowing economy. The pair opened the following week trading at KRW1470 on January 6. More funds then flowed into South Korean stock markets on the strong US employment data and firm US stock movements. The pair temporarily dipped below KRW1450 toward January 8. However, with Donald Trump's inauguration looming, the pair recovered to KRW1470 toward the weekend.

The next week saw reports that the National Pension Fund had sold foreign currencies on January 14, with the won also moving bullishly again on the sense that the Trump administration would not lift tariffs as fast as originally expected. Most observers had expected the BOK to cut rates when it met on January 16, but the bank actually kept its policy rate fixed, with the USD/KRW pair then dropping below the key KRW1450 level again. Donald Trump assumed office during the evening of January 20, with concerns about US inflation easing after he did not immediately hike tariffs. The greenback weakened across the board, with the USD/KRW pair sliding to KRW1430. There was more real-demand won buying before a long holiday on January 24, with the currency pair temporarily hitting a low of KRW1428.3 before closing at KRW1431.3 (as of 15:30 on January 24).

2. Outlook for This Month

The USD/KRW pair will try to stage a rally in February.

The biggest factor this month will be tariffs. Though Donald Trump ended up not imposing new tariffs on the day of his inauguration, subsequent reports said he would increase tariffs on goods from Canada, Mexico and China at the start of February, with the new administration planning universal tariffs too. It is hard to predict what moves the Trump administration will actually make, but the South Korean economy relies on exports, so any tariff increases will have a negative impact, with the won sold as a result.

Furthermore, South Korean political instability is dragging on. A consumer sentiment index also fell sharply in December, and although it has recovered slightly, there are concerns about a slowdown in domestic demand. The BOK announced its preliminary 4Q GDP figure on January 23. At +2.0%, growth in 2024 was down -0.2%Pt on the +2.2% prediction made in November. Though the BOK shelved rate cuts in January, it downgraded its 2025 growth forecast from +1.9% to +1.6–1.7%. Six of the seven Monetary Policy Board members voiced support for a rate cut over the next three months, so it seems more likely the BOK will slash rates when it meets in February.

Based on the above, it seems the Trump administration's moves and South Korean political trends will require ongoing monitoring in February. With few factors actively supporting won buying, the USD/KRW pair will probably stage a comeback this month.

Chen-Long Yang, Taipei Treasury Office, East Asia Treasury Department

New Taiwan Dollar – February 2025

Expected Ranges	Against the US$: NT$32.30–33.30
	Against the yen: JPY4.55–4.85

1. Review of the Previous Month

The USD/TWD pair moved firmly in January.

The pair opened the month trading at TWD32.810 on January 2. The end of 2024 had seen some Trump trades, with this trend pushing the pair to TWD32.90. Risk sentiments then improved on reports that some close advisors to Donald Trump were looking at limiting the scale of plans to introduce a fixed tariff on all imports to the US. The Taiwan dollar was subsequently bought, with the currency pair temporarily rallying to TWD32.70.

Concerns about tariffs lingered mid-January on news that Donald Trump was thinking about declaring a national economic emergency. With UK long-term interest rates then rising on concerns about deteriorating finances, the yield on US 10-year treasuries soared to 4.80% for a time. Risk assets like Taiwanese stocks were sold and the greenback rose across the board, with the USD/TWD pair shooting to TWD33.10.

Late January saw reports that the Trump administration's economic team was looking into hiking tariffs in stages. Fears about sharp tariff rises waned and the US dollar was also sold by Taiwanese exporters ahead of the Lunar New Year holidays, with the Taiwanese dollar bought back and the pair hitting TWD32.90 again. No new tariffs on Chinese goods were announced during Donald Trump's inauguration ceremony. Investors also reacted well to plans to boost AI-related investment. The Taiwan dollar rose in tandem with bullish Taiwanese stocks, with the currency pair closing at TWD32.70.

2. Outlook for This Month

The USD/TWD pair is expected to trade in a range in February.

The main themes in January were Donald Trump's tariff policies, the movement of overseas interest rates, and AI semiconductor results. US tariffs on foreign goods might lead to higher inflation within the US while also pushing up US interest rates. Tax cuts could also push long-term interest rates higher as US finances deteriorate, with this acting as a dollar-buying factor in the short term. However, the Taiwanese dollar has been supported by hearty AI-related demand.

The aforementioned themes will require monitoring in February too. As expected, the FOMC left policy rates fixed when it met during the Lunar New Year holidays. Most observers believe it will also shelve rate cuts when it next meets in March, but attention will be focused on its guidance from here on. Furthermore, risk assets and the Taiwan dollar will also be impacted by any comments about AI investment plans in the settlement reports of major US IT firms. There has been a rush of demand in the US as firms seek to mitigate the impact of tariffs. If this demand rush comes to an end, inventories might build up, with the economy then pushed down. If orders subsequently fall, the Taiwan dollar's topside will move somewhat heavily, with the USD/TWD pair moving in a range around the upper-TWD32 mark.

Ken Cheung, East Asia Treasury Department

Hong Kong Dollar – February 2025

Expected Ranges	**Against the US$: HK$ 7.7650–7.8000**
	Against the yen: JPY 19.60–20.30

1. Review of the Previous Month

The HKD spot weakened from 7.76 to near the 7.79 level as the HKD-USD interest rate spread narrowed at the beginning of 2025. The easing of the HKD year-end seasonal liquidity squeeze and waning Fed rate cut expectations contributed to the HKD weakness. Under the guidance to enhance investor returns, some large Chinese enterprises started to pay half-yearly dividends, but the overall size of the flow was relatively small to drive the HKD exchange rate.

Due to flush HKD liquidity conditions, the carry trade flow of long USD/HKD spot returned, driving the HKD lower. Indeed, the year-end liquidity squeeze dissipated at the beginning of 2025. Structurally, the subdued HKD loan demand amid macro and property market downturns justified the negative HKD-USD interest rate gap. The 1-month and 3-month HKD HIBOR - USD SOFR interest rate gap turned negative on the second day of 2025. The HKMA aggregate balance remained unchanged near HKD 45bn as the HKD spot did not touch the 7.75 or 7.85 level.

Equity inflow was broadly positive for the HKD. The strong Southbound Stock Connect inflow, exceeding HKD 100bn so far in 2025, provided support for HKD purchase demand. The recent IPO frenzy did not translate into an HKD rally. Despite the busy IPO listing schedule and oversubscriptions for numerous IPOs, the total amount of funding raised was rather small in the absence of mega corporate listings. Additionally, the new IPO platform, Fast Interface for New Issuance (FINI), allows a shorter time gap between IPO pricing and trading and a smaller size of capital for settlement in IPO margin financing activities. As a result, the smaller size and shortened duration of lock-up capital for IPO settlement mitigated their impact on overall HKD liquidity conditions.

At the Asia Financial Forum, PBoC Governor Pan revealed that China would increase the FX reserves allocation ratio on HK assets. This guidance indicates more capital inflow to HK amid USD diversification and provides support to HKD financial asset prices, coupled with higher connectivity between onshore China and HK financial markets. However, officials refrained from unveiling details on the reserves allocation plan, and HK financial markets were largely muted to the headline.

2. Outlook for This Month

We expect the HKD to fluctuate below 7.8 most of the time, as the Fed will likely extend its rate cut cycle for a while. In the absence of Trump's broad and universal tariff plan, the impact on US inflation from Trump's policies should remain limited in the coming months. Meanwhile, southbound capital inflow from onshore China is set to continue as Chinese investors seek higher yields via outbound investment channels following a shift to a moderately loose monetary policy. The familiarity and low valuations of H-shares will incentivize onshore investors to invest in HK before the opening up of China's capital account. The China FX reserves allocation flow will provide support to HK financial assets. The pick-up in HK IPO markets, with more large Chinese enterprises seeking to list in HK stock markets, bodes well for the HKD spot.

The USD-HKD peg is expected to remain intact in Trump's second term. After Trump's presidential victory, the HKD spot and forward curve have largely held steady, showing little fear of capital outflow in the coming years. The extensive exposure of US banks in HK financial markets and Trump's guidance to maintain the USD's status as a global reserve asset make a deliberate depeg by the US highly unlikely. Concerns about the HK government's budget deficit and its impact on the USD-HKD peg are mitigated by the ample HK FX reserves, which should provide sufficient support for the peg in the medium term.

Sae Sueyoshi, Treasury Department, MHBK (China)

Chinese Yuan – February 2025

Expected Ranges **Against the US$: CNY 7.1000–7.5000**
Against the yen: JPY 20.27–22.54

1. Review of the Previous Month

In January, the U.S. dollar/Chinese yuan exchange rate fell.

At the beginning of the year, the U.S. dollar/Chinese yuan exchange market opened trading at the mid-CNY 7.29 level on January 2. Thereafter, Chinese government bond yields fell, which encouraged market participants to buy the U.S. dollar and sell the Chinese yuan. Yet, the U.S. dollar/Chinese yuan exchange rate initially did not exceed the CNY 7.30 level. In the afternoon of January 3, however, the U.S. dollar/Chinese yuan exchange rate exceeded the CNY 7.30 level without any particular reason and reached the CNY 7.32 level, at which level trading closed for the week.

On January 6, the U.S. dollar/Chinese yuan exchange market opened trading at the upper-CNY 7.31 level. Thereafter, the exchange rate rose to temporarily reach the CNY 7.33 level. Subsequently, the media reported that the Trump administration was planning to limit its tariffs only on key import items, which led the U.S. dollar/Chinese yuan exchange rate to fall and temporarily reach the lower-CNY 7.31 level. However, the U.S. President Donald Trump denied this report thereafter, which offset the fall of the U.S. dollar/Chinese yuan exchange rate. In the second half of the week, the U.S. dollar/Chinese yuan exchange rate continued to fluctuate around the upper end of the daily fluctuation range of 2% of the People's Bank of China (PBOC) central parity rate. On January 10, the U.S. dollar/Chinese yuan exchange rate renewed its high at CNY 7.3328.

On January 13, the U.S. dollar/Chinese yuan exchange market opened trading at the lower-CNY 7.33 level. On January 14, the U.S. dollar/Chinese yuan exchange rate continued to fluctuate around the upper end of the fluctuation range without moving in any direction, despite comments made by U.S. President Donald Trump regarding the introduction of tariffs on imports. On January 17, the GDP figure of the U.S. was announced with an annual growth rate of +5.0%, achieving the target growth rate set out by the government. However, this news did not impact the foreign exchange market significantly, and the U.S. dollar/Chinese yuan exchange market closed trading at the mid-CNY 7.32 level.

On January 20, the U.S. dollar/Chinese yuan exchange market opened trading at the CNY 7.32 level. Market participants actively sold the U.S. dollar as telephone dialogue was held between U.S. President Donald Trump and Chinese President Xi Jinping at the end of the previous week. The U.S. dollar-selling was also accelerated by the fact that U.S. President Donald Trump had postponed the immediate imposition of tariffs on his first day in office. As a result, the U.S. dollar/Chinese yuan exchange rate fell sharply to the lower-CNY 7.25 level. On January 22, the media reported that U.S. President Donald Trump was still planning to raise tariffs on Chinese imports by 10%, and this discouraged market participants from buying the Chinese yuan. However, in the morning of January 24, U.S. President Donald Trump made a remark such that he would like to avoid imposing tariffs on China, and this led the U.S. dollar/Chinese yuan exchange rate to fall rapidly once again. In the end, the U.S. dollar/Chinese yuan exchange market closed trading at the upper-CNY 7.23 level in the week. Thereafter, there were few transactions in the market before the Lunar New Year.

2. Outlook for This Month

In February, the U.S. dollar/Chinese yuan exchange rate is forecast to remain low, even though fluctuations in both directions are possible.

The worst scenario was avoided at the inauguration of U.S. President Donald Trump on January 20. The imposition of tariffs was postponed on the first day, and on January 24, U.S. President Donald Trump made a remark that he would like to avoid imposing tariffs on China. In reaction, the U.S. dollar/Chinese yuan exchange rate returned to the level observed in the middle of November as of market closing on January 24. If there are more signs of an improved relationship between the U.S. and China after the holidays of the Lunar New Year, it is likely for the Chinese yuan to remain strong in the times ahead. However, it is also possible for the stance of the Trump administration to change completely. Thus, market participants are advised to remain cautious about risks for the U.S. dollar/Chinese yuan exchange rate to fluctuate in both directions.

On the other hand, the interest rate differentials between the U.S. and China are likely to continue widening due to the difference in monetary policy between the two countries. The U.S. is likely to maintain a high policy interest rate, despite the trend of interest rate cuts, while China continues to implement monetary easing measures, such as cutting its LPR and foreign currency reserve requirement ratio. From the point of view of monetary policy, there are more factors for the U.S. dollar to strengthen against the Chinese yuan. Thus, it is important to point out that the U.S. dollar/Chinese yuan exchange rate may rise again once if the trade issues between the U.S. and China have been settled and if market participants become more aware of the interest rate differentials between the two countries.

Additionally, market participants are advised to keep an eye on news related to the National People's Congress of the People's Republic of China, which will open on March 5, as well as updates on the PBOC's central parity rate, which has recently been set toward a stronger Chinese yuan than the actual trading rate.

Ayumi Kiyota, Asia & Oceania Treasury Department

Singapore Dollar – February 2025

Expected Ranges **Against the US$: SG$ 1.3400–1.3700**
Against the yen: JPY 110.50–116.50

1. Review of the Previous Month

In January, the U.S. dollar/Singapore dollar exchange rate fell. At the beginning of the year, the U.S. dollar/Singapore dollar exchange market opened trading at the mid-SGD 1.36 level on January 2. On the same day, the preliminary figure for the GDP of the fourth quarter in 2024 turned out to be 4.3%, stronger than the market estimate. However, there was little impact on the U.S. dollar/Singapore dollar exchange market, as market participants remained more interested in trends in the U.S. market.

On January 10, the December employment statistics for the U.S. demonstrated the continued strength of the U.S. labor market, and this encouraged market participants to buy the U.S. dollar. As a consequence, the U.S. dollar/Singapore dollar exchange rate rose sharply to the lower-SGD 1.37 level. In the following week, the U.S. dollar/Singapore dollar exchange rate continued rising to the mid-SGD 1.37 level on January 13. However, interest rates in the U.S. stopped rising thereafter, as a result of which the U.S. dollar/Singapore dollar exchange rate peaked out and returned gradually to the mid-SGD 1.36 level toward January 17.

On January 20, the U.S. dollar depreciated, perhaps due to the fact that market participants remained cautious waiting for the inauguration of the second administration of U.S. President Donald Trump scheduled for the following day. As a result, the U.S. dollar/Singapore dollar exchange rate fell sharply from the mid-SGD 1.36 level to the mid-SGD 1.35 level. Subsequently, on January 21 local time in New York, the U.S. dollar weakened further with interest rates stagnating in the U.S., and the U.S. dollar/Singapore dollar exchange rate fell to the lower-SGD 1.35 level. On January 23, however, the December core Consumer Price Index (CPI) for Singapore was released, recording a slowdown for the third consecutive month, and this led the U.S. dollar/Singapore dollar exchange rate to rise to the upper-SGD 1.35 level. On January 24, the Monetary Authority of Singapore (MAS) held a monetary policy meeting and announced that it would take measures of monetary easing for the first time since 2020. The MAS announced a quarterly policy band, within which the Singapore dollar exchange rate fluctuates against other currencies, and decided to reduce the slope of the band, and this indicated a slowdown in intended appreciation. Immediately after this announcement, the Singapore dollar depreciated slightly against the U.S. dollar, but the overall exchange rate did not move significantly. Thereafter, the Singapore dollar weakened following the trend in the U.S. dollar/Japanese yen exchange market after a meeting was held at the Bank of Japan. Thus, the U.S. dollar/Singapore dollar exchange rate temporarily reached the lower-SGD 1.34 level. Subsequently, however, market participants bought back the U.S. dollar, and the U.S. dollar/Singapore dollar exchange rate fluctuated at the lower-SGD 1.35 level.

2. Outlook for This Month

In February, the U.S. dollar/Singapore dollar exchange rate is forecast to remain high.

The MAS shifted its monetary policy toward monetary easing for the first time in more than two years. This had been anticipated by most economists, who were sure of this decision because the inflation index had been released on the previous day, confirming the steady slowdown in domestic inflation. In the statement released by the central bank, the inflation outlook for 2025 was revised downward by -0.5% from the previous figure (October, 2024) to between +1.0 and +2.0%. In the statement, the MAS explained that the core inflation was slowing down earlier than originally expected, being sure of the continued trend of disinflation. It is also worth noting that inflation may occur again due to intensified trade friction caused by the U.S., and this is worrying many market participants. However, the MAS indicated that it would not lead to domestic inflation in Singapore, as such inflation would be offset by declining demand resulting from a downturn in the world economy.

In the U.S., on the other hand, the core Personal Consumption Expenditures (PCE) price index, which is used by the Federal Reserve Board (FRB) as an important inflation reference, is not slowing down any longer, indicating persistent inflation. Additionally, various indices related to labor and personal consumption have also remained high. Under such circumstances, market participants anticipate only one or two instances of policy interest rate cuts before the end of 2025.

Therefore, it is difficult to expect the Singapore dollar to appreciate based on domestic factors in Singapore. Market participants are thus expected to continue buying the U.S. dollar and selling the Singapore dollar based on inflation trends and the difference in the monetary policy between the two countries.

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

Thai Baht – February 2025

Expected Ranges **Against the US$: THB 33.50–35.00**
Against the yen: JPY 4.45–4.65

1. Review of the Previous Month

In January, the U.S. dollar/Thai baht exchange rate remained high, but the trend reversed in the second half of the month.

At the beginning of the year, the U.S. dollar/Thai baht exchange market opened trading at the lower-THB 34 level. The U.S. dollar/Thai baht exchange rate remained high thereafter, as market participants remained cautious about tariffs after the launch of the second administration of U.S. President Donald Trump, while various economic indices in the U.S. turned out to be stronger than market estimates, such as the December ISM manufacturing business confidence index released on January 3 and the December employment statistics released on January 10. Thus, toward the middle of the month, the U.S. dollar/Thai baht exchange rate continued rising to reach the upper-THB 34 level. However, on January 15, the December Consumer Price Index (CPI) for the U.S. was released, and the core CPI turned out to be below the market estimate. Furthermore, on January 16, Federal Reserve Board member Christopher Waller made a dovish remark regarding U.S. monetary policy. As a result, market participants were encouraged to sell the U.S. dollar. Following this trend, the U.S. dollar/Thai baht exchange rate also started to fall. Then, on January 17, the media reported that U.S. President Donald Trump and Chinese President Xi Jinping held a telephone dialogue that helped mitigate concerns over tariffs on China. Consequently, the U.S. dollar/Thai baht exchange rate fell to the mid-THB 34 level. Then, on January 20, Donald Trump was inaugurated for his second administration as the 47th president of the U.S. He decided to postpone the introduction of tariffs on the day of the inauguration and only made a vague statement about tariffs in his inauguration speech. As a result, market participants bought many Asian currencies against the U.S. dollar. Following this trend, the U.S. dollar/Thai baht exchange rate also fell. Then, on January 22, the U.S. dollar/Thai baht exchange rate fell well below the THB 34 level. On January 24, U.S. President Donald Trump made a remark that he would not like to impose tariffs on China, and this led the U.S. dollar/Thai baht exchange rate to fall sharply to temporarily reach the mid-THB 33 level. However, the U.S. dollar/Thai baht exchange rate did not fall further. Then, on January 28 and 29, the Federal Open Market Committee (FOMC) held the first meeting of the year without making any surprising announcement. Thus, the U.S. dollar/Thai baht exchange rate remained fluctuating at the upper-THB 33 level. As of the time at which this article was written (3:00 p.m. on January 30 local time in Bangkok), the U.S. dollar/Thai baht exchange rate remained at this level.

2. Outlook for This Month

In February, the U.S. dollar/Thai baht exchange rate is forecast to stop falling temporarily.

Since the inauguration of the second administration of U.S. President Donald Trump, there has been no detailed information about tariffs. Under such circumstances, the U.S. dollar/Thai baht exchange rate has been on a downtrend. However, it is worth mentioning that the current level of the U.S. dollar/Thai baht exchange rate (upper-THB 33 level, as of the time at which this article was being written) is almost the same as it was before the U.S. presidential election in November last year. Since U.S. President Donald Trump made a remark to emphasize that he had not changed ideas about tariffs to be introduced on February 1 on imports from Canada, Mexico, and China, given the situation, it is unlikely for the U.S. dollar/Thai baht exchange rate to fall further. Moreover, regarding monetary policy in the U.S., the Federal Reserve Board (FRB) Chair Jerome Powell made a remark that he would not hurry in cutting the policy interest rate. Thus, many market participants expect the FOMC to postpone a policy interest rate cut at the next meeting to be held in March, and this is a factor to keep the U.S. dollar/Thai baht exchange rate from falling. Yet, market participants are advised to remain cautious, as market volatility could increase significantly depending on decisions to be taken by the Trump administration. In February, market participants are also advised to keep an eye on trends in the Thai economy. The fourth-quarter GDP for Thailand is scheduled to be out on February 17. The third-quarter GDP turned out to be surprisingly good (+3.0% year-on-year). Regarding the fourth-quarter figure, Finance Minister of Thailand Pichai Chunhavajira made a remark that the year-on-year growth of the GDP would be more significant in the fourth quarter. Since Pichai Chunhavajira has expressed his optimistic view about the annual growth rate, market participants are waiting to see the outcome. With regard to the tourism industry, which is the leading sector in the Thai economy, the tourism authorities expect the number of foreign tourists to return to the level seen before the Covid-19 pandemic (approximately 39.9 million in 2019). Under these circumstances, market participants are advised to pay close attention to trends during the final part of the high season, including the year-end, New Year's holidays, and Lunar New Year holidays.

Kazuhiro Suzuki, Mizuho Bank (Malaysia) Berhad

Malaysian Ringgit – February 2025

Expected Ranges **Against the US$: MYR 4.3500–4.5300**
Against the yen: JPY 34.50–35.70

1. Review of the Previous Month

In January, the Malaysian ringgit appreciated against the U.S. dollar to temporarily reach its highest level in approximately 2.5 months, as concerns over additional U.S. tariffs on China were mitigated. At the beginning of the year, the U.S. dollar/Malaysian ringgit exchange market opened trading at the mid-MYR 4.47 level and soon exceeded the MYR 4.50 level following the rise of interest rates in the U.S. In the following week, interest rates in the U.S. continued rising, following which the U.S. dollar/Malaysian ringgit exchange rate fluctuated near its monthly high at the upper-MYR 4.51 level. Thereafter, the rise of the U.S. dollar/Malaysian ringgit exchange rate slowed down slightly. However, market participants remained cautious about the December employment statistics for the U.S. that were to be released shortly at the time, and the U.S. dollar/Malaysian ringgit exchange rate continued fluctuating within a narrow range at around the MYR 4.50 level.

Subsequently, the December employment statistics for the U.S. were released with strong figures, which led interest rates in the U.S. to rise. As a consequence, on January 13, the U.S. dollar/Malaysian ringgit exchange rate reached the MYR 4.52 level—the highest level in January. However, the U.S. dollar/Malaysian ringgit exchange rate did not remain high for a long time and started to fluctuate mainly at around the MYR 4.50 level. Subsequently, the media reported that Malaysia had been added to the list of countries subject to restrictions on AI chip exports by a major semiconductor company in the U.S. However, this news did not impact the U.S. dollar/Malaysian ringgit exchange market significantly. The December Consumer Price Index (CPI) for the U.S. turned out to be below the market estimate, and this led the U.S. dollar/Malaysian ringgit exchange rate to fall to the lower-MYR 4.49 level. On January 17, the preliminary figure of the fourth-quarter GDP for Malaysia was announced, and the result turned out to be 4.8% while annual growth was 5.1%. Since these had already been anticipated in the market, there was little market reaction. The U.S. dollar/Malaysian ringgit exchange rate thus continued fluctuating within a narrow range and closed trading at that level.

At the end of the month, the December trade statistics for Malaysia revealed that trade volume had reached an all-time high. Both imports and exports increased significantly, and trade surplus exceeded the market estimate significantly. As a result, the Malaysian ringgit appreciated against the U.S. dollar slightly. At the inauguration of the second administration of U.S. President Donald Trump, no additional tariffs were announced. The U.S. dollar/Malaysian ringgit exchange rate continued fluctuating at around the MYR 4.47 level. Once the central bank of Malaysia had decided to maintain its existing monetary policy at an MPC meeting, the U.S. dollar/Malaysian ringgit exchange rate continued falling further. Then, on January 24, U.S. President Donald Trump made a remark to indicate that he would not like to impose additional tariffs on China, and this impacted the market positively while market participants bought the Malaysian ringgit. As a result, the U.S. dollar/Malaysian ringgit exchange rate temporarily reached the MYR 4.36 level. However, the Federal Open Market Committee (FOMC) announced that interest rate cuts in the U.S. would be paused for a while, which weakened the overall Asian currencies. Following this trend, the U.S. dollar/Malaysian ringgit exchange rate reached the MYR 4.41 level at the beginning of the final trading day of the month.

2. Outlook for This Month

In February, the U.S. dollar/Malaysian ringgit exchange rate is expected to fluctuate in accordance with political and economic trends in the U.S. However, if there are no major surprises, the U.S. dollar/Malaysian ringgit exchange rate is likely to remain at the level observed at the end of January, with a consistently strong Malaysian ringgit against the U.S. dollar.

The economic growth rate of Malaysia was 5.1% in 2024 (based on the preliminary figure), and the Malaysian economy is likely to continue growing in 2025, with domestic demand and exports leading the growth. However, there is also a source of concern, which is the remark by U.S. President Donald Trump regarding additional tariffs on semiconductors produced abroad. Last year, the Malaysian government announced a national semiconductor strategy aimed at making the semiconductor industry a leading sector of the country, by developing not only the back-end processes but also the front-end processes of semiconductor production and attracting more investment. Thus, the current situation must be worrying for the Malaysian government. As of the time at which this article was being written, the Malaysian ringgit has been strengthened thanks to the remark by U.S. President Donald Trump in January to indicate that he was not willing to impose additional tariffs on China. However, if tariffs on semiconductors are introduced, it would be a factor to weaken the Malaysian ringgit. The U.S. dollar/Malaysian ringgit exchange rate is therefore very much likely to continue fluctuating in response to remarks and actions by U.S. President Donald Trump in the times ahead.

Also, central banks had their first meetings of the year both in the U.S. and Malaysia. Market participants are now advised to observe the January employment statistics for the U.S. to be released in February, as the annual data will be revised. As of August, last year, a downward revision of more than 800,000 people was expected, although this was just an estimate. There are now some people who mention the possibility of a downward revision of more than one million people. If the downward revision turns out to be more significant than expected, the policy interest rate cuts currently reflected in the market may be offset, encouraging market participants to sell the U.S. dollar. However, it may also strengthen the U.S. dollar if market sentiment deteriorates. Thus, there are risk scenarios in which the Malaysian ringgit could depreciate, about which market participants are advised to remain careful.

Tomokazu Moriya, Asia & Oceania Treasury Department

Indonesian Rupiah – February 2025

Expected Ranges **Against the US$: IDR 16,000–16,600**
Against the yen: JPY 0.9300–0.9700 (IDR 100)

1. Review of the Previous Month

In January, 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 16,100 level on January 2. On the same day, the December Consumer Price Index (CPI) for Indonesia was announced, and the result turned out to be 1.57% year-on-year—almost at the same level as the market estimate. Thus, there was little reaction to this news in the market.

On January 6, the media reported that additional U.S. tariffs would be imposed only on limited items, and this strengthened the U.S. dollar. Meanwhile, the U.S. dollar/Indonesian rupiah exchange rate reached the lower-IDR 16,100 level on January 7, the following day. However, this report was later denied by Donald Trump, who was soon to become the next U.S. President. In reaction to this news, the Indonesian rupiah depreciated, and the U.S. dollar/Indonesian rupiah exchange rate reached the IDR 16,200 level on January 8.

On January 15, the central bank of Indonesia held a monetary policy meeting and decided to cut its policy interest rate by 0.25%, which had not been anticipated in the market. In reaction to this unexpected policy interest rate cut, the Indonesian rupiah depreciated against the U.S. dollar, and the U.S. dollar/Indonesian rupiah exchange rate reached the lower-IDR 16,300 level. On January 16, the following day, the U.S. dollar/Indonesian rupiah exchange rate reached the upper-IDR 16,300 level.

On January 21, newly inaugurated U.S. President Donald Trump decided to postpone the introduction of additional tariffs, which gave a sense of relief to the entire Asian market, which kept the U.S. dollar/Indonesian rupiah exchange rate low. On January 24, market participants actively sold the U.S. dollar, as U.S. President Donald Trump had requested a policy interest rate cut to the Federal Reserve Board (FRB) on the previous day local time in the U.S. As a consequence, the U.S. dollar/Indonesian rupiah exchange rate fell to the IDR 16,100 level.

Toward the end of the month, the Federal Open Market Committee (FOMC) indicated that it would not hurry in making policy interest rate cuts in the U.S. In reaction, market participants bought the U.S. dollar, and the U.S. dollar/Indonesian rupiah exchange rate rose to reach the mid-IDR 16,200 level.

2. Outlook for This Month

In February, the U.S. dollar/Indonesian rupiah exchange rate is forecast to remain high.

On January 15, the central bank of Indonesia held a meeting and unexpectedly decided to cut the BI rate—the policy interest rate of Indonesia. In terms of timing, this decision was a surprise, as the Indonesian rupiah was depreciating. At the previous meeting held in December, the central bank had indicated its intention to prioritize the stability of the Indonesian rupiah. The policy interest rate was cut to boost the economy. Given the remark by the governor of the central bank of Indonesia, Perry Warjiyo, that he was seeking room to further promote economic growth, the central bank might cut the policy interest rate further in the future, although market participants need to be aware of the possible depreciation of the Indonesian rupiah as a side effect.

In the U.S., an FOMC meeting was held on January 28 and 29, and the policy interest rate was maintained at the existing level, as had been anticipated in the market. At the subsequent press conference, FRB Chair Jerome Powell made a remark to emphasize that he was not in a hurry to adjust the policy interest rate. Thus, market participants did not expect the policy interest rate to be cut additionally in the near future. There is still a strong and persistent sense of uncertainty regarding the impact of the policy measures to be taken by U.S. President Donald Trump, who was inaugurated in January. However, since these measures are more likely to lead to inflation, the downward pressure on interest rates in the U.S. is not expected to strengthen in the times ahead.

For these reasons, in the U.S. dollar/Indonesian rupiah exchange market, pressure to buy the U.S. dollar is likely to strengthen, and therefore the U.S. dollar/Indonesian rupiah exchange rate is expected to remain high.

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

Philippine Peso – February 2025

Expected Ranges **Against the US$: PHP 57.50–59.50**
Against the yen: PHP 0.370–0.390

1. Review of the Previous Month

In January, the U.S. dollar/Philippine peso exchange rate continued fluctuating in both directions with a weak Philippine peso.

At the beginning of the year, the U.S. dollar/Philippine peso exchange market opened trading at PHP 57.90. Toward the end of December, the Philippine peso appreciated rapidly. To offset this trend, market participants were more active in buying the U.S. dollar and selling the Philippine peso at the beginning of the year. As a consequence, the U.S. dollar/Philippine peso exchange rate recovered rapidly to the PHP 58 level, after which the exchange rate continued to rise and approached the PHP 58.40 level. Subsequently, the economic indices of the Philippines confirmed the stable growth of the Philippine economy through the December price statistics as well as the November trade statistics, in which the trade deficit was reduced. In reaction, market participants bought back the Philippine peso, and the U.S. dollar/Philippine peso exchange rate fell to approach the PHP 58 level. After the phase of Philippine peso-buying, the trend reversed, and the Philippine peso weakened against the U.S. dollar again. Under such circumstances, the December employment statistics for the U.S. turned out to be strong. Thus, the U.S. dollar/Philippine peso exchange rate continued rising and reached PHP 58.70. However, the exchange rate reached a stalemate at this level and did not rise further.

In the middle of the month, the U.S. dollar/Philippine peso exchange rate continued fluctuating within the range several times between PHP 58.30 and PHP 58.70 without moving in any direction. On January 20, at the ceremony for the inauguration of the administration of new U.S. President Donald Trump, market participants remained cautious, waiting to find out if there will be any remark regarding new policy measures. Thereafter, U.S. President Donald Trump revealed a plan to introduce additional tariffs on imports from some countries. However, this news had little impact on the U.S. dollar/Philippine peso exchange rate.

At the end of the month, the U.S. dollar/Philippine peso exchange rate continued fluctuating within the range between PHP 58.30 and PHP 58.70. On January 30, the fourth-quarter GDP for the Philippines was announced, but the result was below the market estimate. The annual growth for 2024 turned out to be 5.6%, slightly exceeding 5.5%, the result for 2023, but was below 6.0–6.5%—the outlook given by the government. In the end, the U.S. dollar/Philippine peso exchange market closed trading in January, fluctuating at around the lower- to mid-PHP 58 level.

2. Outlook for This Month

In February, market participants are advised to carefully observe the economic indices for the Philippines as well as subsequent remarks from the central bank of the Philippines.

The fourth-quarter GDP and the annual GDP for 2024 both turned out to be below the market estimate. Under these circumstances, the next important economic data to be announced will be the January price statistics for the Philippines, scheduled to be out on February 5. According to the comment made by the central bank of the Philippines at year end and at the beginning of the new year, economic indicators will be the key factor in deciding whether or not to maintain the current policy interest rate at the next monetary policy meeting scheduled for February 13. Thus, there is a sense of uncertainty about the central bank's decision. Currently, there seems to be more market participants who expect the policy interest rate to be maintained at the existing level. However, if the economic indices turn out to be weak, market participants may expect the central bank to cut the policy interest rate, which has so far not been reflected in the market, leading the U.S. dollar/Philippine peso exchange rate to approach the PHP 59 level, a psychological turning point. The central bank of the Philippines carefully monitors the trends of the U.S. dollar/Philippine peso exchange rate. Therefore, it is, needless to say, possible for the fluctuation of the U.S. dollar/Philippine peso exchange rate to slow down when it approaches the PHP 59 level due to warning remarks from the central bank of the Philippines, as has been the case in the past several months.

The most likely scenario is for market participants to continue actively buying the U.S. dollar for a while. Thus, the U.S. dollar/Philippine peso is forecast to remain at around the PHP 58 level, fluctuating in accordance with the economic indices for the Philippines as well as remarks from the central bank of the Philippines.

It is also worth noting that, under the newly launched Trump administration, the media has already reported on various policy measures such as the plan to introduce additional tariffs. Future remarks from U.S. President Donald Trump are likely to cause significant fluctuations in the U.S. dollar/Philippine peso exchange market. Depending on the content of the remarks, market participants may either buy the U.S. dollar and sell the Philippine peso or buy the Philippine peso and sell the U.S. dollar. Therefore, market participants are advised to remain cautious.

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Indian Rupee – February 2025

Expected Ranges **Against the US$: INR 85.50–87.50**
Against the yen: JPY 1.71–1.86

1. Review of the Previous Month

In January, the U.S. dollar/Indian rupee exchange rate reached a new all-time low.

The U.S. dollar/Indian rupee exchange market opened at the mid-INR 85 level in January. At the beginning of the month, the U.S. dollar/Indian rupee exchange rate remained at the same level. However, in the middle of the month, the U.S. dollar/Indian rupee exchange rate exceeded the INR 86 level, rapidly reaching an all-time high again. Toward the end of the month, pressure to sell the U.S. dollar strengthened, in reaction to which the Indian rupee strengthened. Furthermore, the Reserve Bank of India (RBI) intervened in the foreign exchange market to keep the U.S. dollar/Indian rupee exchange rate from rising further by selling the U.S. dollar and buying the Indian rupee. As a result, the U.S. dollar/Indian rupee exchange rate returned to the lower-INR 86 level. The U.S. dollar/Indian rupee exchange market closed trading at this level (as of January 27).

At the beginning of the month, the BSE SENSEX continued rising gradually to approach the 80,000 level. However, the trend reversed thereafter, and the BSE SENSEX started to fall. After fluctuating within the narrow range between 76,000 and 77,000, the BSE SENSEX fell to the lower-75,000 level toward the end of the month (as of January 27). In terms of investment capital inflow into the Indian stock market from foreign investors, there was a significant net sell in January on a single-month basis. Market participants are therefore advised to observe whether the capital outflow will slow down in the times ahead.

With regard to the economic indices for India, the December manufacturing and service industries Purchasing Managers' Index (PMI) revealed both strong and weak figures. The November industrial production turned out to be stronger than both the previous month's result and the market estimate. The December Consumer Price Index (CPI) (year-on-year) turned out to be +5.22%, slightly falling below +5.48%—the figure from the previous month. The December trade balance showed a decrease in the trade deficit. However, there has been a persistent trade deficit, because of which the Indian rupee remains a weak currency.

2. Outlook for This Month

In February, the U.S. dollar/Indian rupee exchange rate is forecast to remain low, but market participants are advised to remain cautious of rising volatility.

In February, the U.S. dollar/Indian rupee exchange rate is likely to remain low. However, market participants are advised to remain cautious, as the U.S. dollar/Indian rupee exchange rate may fluctuate significantly in both directions. Since the Indian rupee recently renewed an all-time low against the U.S. dollar, the RBI has been actively intervening in the foreign exchange market. This trend is likely to enter a phrase of adjustment. The RBI is expected to continue intervening in the foreign exchange market to keep the U.S. dollar/Indian rupee exchange rate from rising excessively. However, the new governor of the RBI, Sanjay Malhotra, has expressed his openness toward greater flexibility in the U.S. dollar/Indian rupee exchange rate. Thus, the fluctuation range of the U.S. dollar/Indian rupee may become wider than before, for which market participants are advised to remain cautious.

The December CPI turned out to be lower than the previous month but remains high. It is therefore likely to take some more time for India to confirm the progress of disinflation. Given the situation, it is most probable for the RBI to postpone policy interest rate cuts until the middle to the second half of this year, despite being in a phase of interest rate cuts. In February, there will be the first monetary policy meeting for new RBI governor Sanjay Malhotra, and market participants are advised to pay attention to his remarks regarding policy interest rate cuts.

The Indian rupee was expected to appreciate against the U.S. dollar in response to the policy interest rate cut in the U.S., which was expected to strengthen pressure to sell the U.S. dollar. However, this trend is not likely to continue, as now such expectation will fade, offsetting its impact. When the Indian rupee appreciates excessively, the RBI is ready to intervene in the foreign exchange market to keep the U.S. dollar/Indian rupee exchange rate from falling further. Furthermore, there are market participants who sell the Indian rupee based on actual demand. Thus, the Indian rupee is most likely to start slowly depreciating against the U.S. dollar. However, considering the stance on the stability of the foreign exchange market held by new RBI governor Sanjay Malhotra, the U.S. dollar/Indian rupee exchange rate may start fluctuating based on market trends, as is the case with other currencies. From a medium- to long-term perspective, market participants are more likely to sell the Indian rupee slowly. Thus, the Indian rupee is forecast to remain weak.