

# Mizuho Dealer's Eye

May 2025

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Mizuho Bank, Ltd.

Global Foreign Exchange Department

## U.S. Dollar – May 2025

**Expected Ranges**

**Against the yen: JPY139.00–150.50**

### Outlook for This Month

[The trend of yen bullishness will ease for a time, but the dollar/yen pair could be swayed sharply by headlines, so caution will be needed.]

The pair will continue to be buffeted by comments by President Trump and other administration officials. With expectations for BOJ rate hikes waning, the currency pair will continue to jostle in the lower-140 yen range. Speculator yen long positions remain piled up, but there is something slightly incongruous about the dollar/yen pair's current level, so with the Trump administration starting to tone down its comments about tariffs, for example, it seems likely the trend of risk-evasive dollar selling will take a breather. However, there will still be plenty of headline risk, with positions also tilting, so investors will continue searching for factors and the dollar/yen pair will be particularly susceptible to erratic movements during Golden Week, when Japan takes a long holiday and trading is thin.

The BOJ will be meeting in May, as will the FOMC soon after the end of Golden Week. Investors will be monitoring the results of these meetings. A market consensus is forming that the BOJ will tone down its rate-hike talk while the FOMC confirms its rate-cut path, but the meetings may end up confounding this consensus, so caution will be required. With investors monitoring the US employment data and other US hard data to gauge whether the US economy is starting to feel the pinch from the Trump administration's reciprocal tariffs, these events could end up being more important than ever. Market participants should pay attention to the market reaction to the results of these events.

The initial momentum of the US administration is showing signs of slowing and it seems that risk is easing off slightly, so the dollar/yen pair looks set to move firmly on the downside and it may rise for a time. The pair could move sharply at times on headlines, so investors should proceed with caution this month.

## Dealers' Market Forecast

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

Bullish on the dollar	8 bulls	146.00 – 139.75	Bearish on the dollar	8 bears	145.00 – 138.00
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## \* Ranges are central values

Seki	Bull	148.00 – 141.00	Reciprocal tariffs have been paused for 90 days after US bonds fell sharply, so stock markets will probably recover for a time. There are hopes that the US will revise its tariff policies. Yen long positions have also piled up, particularly among overseas speculators. As such, the dollar/yen pair looks set to move firmly in May.
Yamazaki	Bull	150.50 – 139.00	The dollar/yen pair will move firmly on the whole, though it might swing upwards at times and investors should also remain vigilant about the pair being swayed by headline risk. With the US government seemingly toning down its tariff comments, the pair is expected to move strongly.
Nagano	Bear	145.00 – 139.00	President Trump is relaxing his hardline stance when it comes to tariffs. After panicking, the markets are now regaining composure. However, clouds are starting to gather over the US economy, so investors are likely to continue testing the dollar/yen pair's downside as US interest rates fall on risk aversion.
Kato	Bull	146.00 – 138.00	The US has seen accelerated selling on President Trump's reciprocal tariffs and Treasury Secretary Scott Bessent seems to have a strong sense of crisis, as one would expect from his background as a businessman. The key point this month will be whether market participants continue to sell the US, but it seems the US will make steady progress when it comes to deals with other countries.
Toriba	Bear	146.00 – 137.00	No deals seem to be sticking when it comes to the US's reciprocal tariffs war with the rest of the world. With market uncertainty hard to shift, it is too early to think about funds returning to the greenback, with the dollar/yen pair like to be subject to selling on a rally.
Yamaguchi	Bull	145.00 – 140.00	In April, the financial markets were shocked by President Trump's tariffs. US stocks will gradually start to regain composure, with the Dollar Index's slide also likely to ease off. The dollar/yen pair is expected to move firmly this month.
(Tomoko) Yamaguchi	Bear	145.00 – 138.00	After panicking on the Trump administration's reciprocal tariffs announcement, the markets are now regaining composure. From here on, investors will be watching US negotiations with each country while also monitoring the impact on the real economies of the US and other nations. The dollar/yen pair will move with a heavy topside on a continuation of risk aversion.
Matsunaga	Bull	146.00 – 139.50	The tariff issue is dragging on and the impact on the real economy is starting to make itself felt, so in the short term the dollar/yen pair is unlikely to be bought back. However, amid deepening uncertainty, the BOJ and FRB are growing more cautious, so yen buying is also unlikely to accelerate.
Katoono	Bear	145.00 – 137.00	The US has begun tariff negotiations and hopes are now growing that these talks will yield results. This will take some time, though. For now, the impact of the tariffs will start to emerge in US economic indicators, with this adding impetus to FRB rate cuts, so the dollar is unlikely to be bought back much. With the BOJ's stance also remaining unchanged, the yen is unlikely to start moving bearishly again.
Okuma	Bear	145.00 – 138.00	The US is starting to release some weak economic indicators on the impact of Trump tariffs. President Trump continues to criticize FRB chair Jerome Powell. If the president keeps calling for rate cuts, the dollar's credibility will continue to slide, with the dollar/yen pair set to move bearishly.
Ito	Bull	148.00 – 139.00	Clouds are growing over the US economy, but a recession still seems some way off. Furthermore, there is a sense the greenback has been oversold on the furor about Trump tariffs, so the dollar will probably be bought back in the near term.

Han	Bear	145.00 – 137.00	As negotiations over Trump tariffs proceed, the focus of market participants will shift to monetary policy. While the BOJ is trying to gauge when to lift rates, some FRB members are shifting in a dovish direction on concerns about an economic downswing.
Suzuki	Bull	146.00 – 140.00	There is still uncertainty about where the tariff policies will lead to, but there has been some positive news, so it seems the worst is over when it comes to dollar selling. It also appears that the BOJ will keep policy fixed and there are no factors that could prompt yen buying, so the dollar/yen pair will probably be bought back.
Nishi	Bull	146.00 – 140.00	The Trump administration's moves led to the "US selling," but some reciprocal tariffs have been paused and negotiations to lower tariffs are proceeding steadily. As financial market risk sentiments improve, the dollar/yen pair looks set to move firmly.
Harada	Bear	144.00 – 139.50	There is deep-rooted uncertainty about US tariff policies, so the dollar/yen pair will continue to be swayed by headlines about tariffs. However, US economic indicators will start to deteriorate on these tariff policies, so the greenback will be sold as concerns grow about a US economic slowdown.
Matsuki	Bear	145.00 – 139.00	Japan and several other countries have made progress when it comes to negotiations over Trump tariffs, but it will take time before the closely-watched US/China talks yield results, so for now the dollar/yen pair will move with a heavy topside on persistent selling.

## Euro – May 2025

### Expected Ranges

**Against the US\$: US\$1.1100–1.1600**

**Against the yen: JPY158.00–166.00**

### Outlook for This Month

The euro/dollar pair is expected to continue moving firmly in May.

When it met in April, the ECB Governing Council implemented a -25bp rate cut for the sixth straight month. With the markets moving erratically on reciprocal tariffs and with US/EU negotiations underway, there was no mention about bringing rate cuts to a halt. ECB president Christine Lagarde said she had no idea what the impact of the tariffs would be by the time the June meeting rolled around, thus indicating that the ECB would adopt a cautious stance in the short term. However, the Council did discuss a -50%bp rate cut, for example, so the central bank will probably maintain an open stance towards rate cuts for the time being. However, the markets are steadily assimilating ECB rate cuts and are now pricing in around two more rate cuts this year. This marks a striking contrast with the situation in the US. With the environment thick with uncertainty, there is enough reason to believe that the euro/dollar pair might be supported by some easy-to-understand factor like shrinking US/EU interest-rate differentials.

The large-scale euro appreciation in April was supported by the Trump administration's tariff policies. With the US clearly setting out its target tariff rates for each country, headlines are emerging that suggest the situation could shift in a favorable direction, for example, so there is sense that the worst is over. However, market participants are particularly concerned about the impact of US/China relations, with negotiations between the two sides showing no clear signs of progress. Uncertainty remains strong overall, including denial of a 90-day extension of the grace period for further reciprocal tariffs. Talk about dismissing FRB chair Jerome Powell have quietened, but with President Trump and other administration figures calling for lower US interest rates, the dollar is unlikely to be bought back. There are concerns that the application of tariffs will lead to a eurozone economic slowdown centered on Germany's automobile sector, but the euro will remain a haven for those selling the greenback, so although the euro/dollar pair is unlikely to undergo a one-sided rise, it seems the euro will remain attractive to investors.

## Dealers' Market Forecast

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

<b>Bullish on the euro</b>	<b>5 bulls</b>	1.1600 – 1.1150	<b>Bearish on the euro</b>	<b>11 bears</b>	1.1500 – 1.1100
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### \* Ranges are central values

Seki	Bear	1.1450 – 1.0950	The trend of dollar selling will ease on expectations that the US will tweak its reciprocal tariffs policy and on hopes regarding negotiations between the US and other countries. The ECB looks set to continue lowering rates for now, with the euro/dollar pair also likely to trade with a heavy topside on European/US interest-rate differentials.
Yamazaki	Bear	1.1500 – 1.1150	The euro/dollar pair will be swayed by the greenback's movements. Investors should monitor the Ukraine situation and whether the FOMC expands the pace of rate cuts. The pair will probably trend lower as the US tones down tariff pressures.
Nagano	Bear	1.1600 – 1.1100	The greenback moved bearishly against all other major currencies in April, but there are strong concerns about the impact of Trump tariffs on the European economy, so although US interest rates will probably fall on risk aversion, the pair is likely to trade with a heavy topside on expectations for ECB rate cuts too.
Kato	Bear	1.1500 – 1.1100	Some progress will be made when it comes to deals between the US and other countries about President Trump's reciprocal tariffs. The dollar has seen some one-sided selling, but if some progress is made, the market sense of crisis will ease somewhat, with the euro/dollar pair set to move flatly as the trend of euro selling/dollar buying also peaks out.
Toriba	Bear	1.1600 – 1.1000	Investors fled the dollar last month on reciprocal tariffs, but the dollar/yen pair will probably move with a heavy topside this month as Europe's real economy feels the pinch from Trump tariffs and as the ECB keeps cutting rates.
Yamaguchi	Bull	1.1700 – 1.1200	The Dollar Index fell sharply, with the euro/dollar pair also soaring as a result. The charts showed the pair's 50-day moving average topping its 200-day moving average mid-April, with the pair set to move firmly on this golden cross.
(Tomoko) Yamaguchi	Bear	1.1450 – 1.0950	Euro appreciation in April was mainly because the currency became a conduit for dollar selling. The eurozone economy looks set to weaken further on the impact of the Trump administration's reciprocal tariffs, so the ECB will have to remain in easing mode. The euro/dollar pair will gradually enter a phase of selling.
Matsunaga	Bear	1.1450 – 1.1100	The recent euro appreciation was due in large part to dollar weakness, with the fundamentals suggesting there is a shortage of factors conducive to further euro buying. If US/EU tariff negotiations move into full swing, the euro/dollar pair will gradually edge lower.
Katoono	Bull	1.1600 – 1.1250	There will be stormy negotiations as talks begin over Trump tariffs, but the euro will move firmly as a shelter for investors fleeing the dollar. The ECB has already finished implementing a succession of rate cuts, while the eurozone economy will be bolstered by some stimulus measures, with several factors lined up that could clearly support the euro.
Okuma	Bull	1.1600 – 1.1150	Some investors believe the euro will stop rising on concerns that the eurozone economy might slow on Trump tariffs, but President Trump continues to make erratic comments. As such, the euro/dollar pair looks set to move firmly on the ongoing shift from the dollar to the euro.
Ito	Bear	1.1500 – 1.0500	The euro seems to have risen higher than the strength of the real economy would warrant. Though the euro/dollar pair is unlikely to hit parity any time soon, its level will gradually edge lower as more investors buy back the dollar.

Han	Bear	1.1500 – 1.1000	Trump tariffs are pushing the European economy lower and the ECB looks set to continue easing, with the fundamentals also pointing to a scarcity of euro-buying factors.
Suzuki	Bull	1.1600 – 1.1100	There remains deep-rooted uncertainty about US tariff policies, with the euro remaining a popular shelter for those selling the dollar. The euro/dollar pair will also be supported by the gap between how much room the US and the eurozone still has for rate cuts.
Nishi	Bear	1.1600 – 1.1100	As “US selling” eases, the euro/dollar pair is likely to trade with a heavy topside. ECB concerns are shifting from a revival of inflation to disinflation. There is also a striking contrast when it comes to US and European monetary policy, with the ECB continuing to run policy with a focus on rate cuts.
Harada	Bear	1.1500 – 1.1100	The dollar will remain conducive to selling on uncertainty about US tariff policies and concerns about a US economic slowdown, with the euro likely to be bought as a result. However, negotiations with the US about tariffs are making progress, so the euro/dollar pair will probably fall if it seems tariffs will lead to a eurozone recession.
Matsuki	Bull	1.1500 – 1.1100	Though a lot will depend on the data, the ECB will probably continue lowering rates for now. However, the major market focus right now is not monetary policy but rather the direction of Trump tariffs and the subsequent flight from the US, so the euro will probably move firmly as a conduit for those fleeing the dollar.

# British Pound – May 2025

## Expected Ranges

**Against the US\$: US\$1.3000–1.3700**

**Against the yen: JPY185.00–195.00**

## 1. Review of the Previous Month

The GBP/USD pair moved firmly in April. Amid uncertainty about US tariffs, the pair opened the month fluttering around \$1.29 on April 1. On April 2, a day dubbed “Liberation Day” by the Trump administration, the US announced more tariffs than expected on a host of countries. As concerns about the US economy grew, the dollar was sold against the pound, with the currency pair temporarily rising to \$1.32 on April 3. As expectations grew for UK rate cuts, the pair's gains were pared back to below \$1.27 on April 7. However, the greenback was sold on April 9 after President Trump announced that tariffs would be postponed for 90 days, so the pair bounced back to \$1.31 on April 11. The dollar was sold again the following week, with the pair climbing to \$1.32. The greenback was also sold when the Trump administration criticized the FRB, with the pair strengthening to \$1.34 in the week beginning April 21. Hopes grew for reduced tensions between the US and China, but the currency pair continued moving firmly thereafter.

The pound pair fell against the yen. It opened at 193 yen on April 1 and was then bought to 195 yen before the tariff announcement on April 2, though it was then pushed down as the yen was bought on risk aversion. It weakened to 184 yen on April 9 after China imposed some retaliatory tariffs on the US, but it then swung back to 190 yen after the US announced it was pausing tariffs for 90 days. However, it dipped to 186 yen on April 11 after China hiked its retaliatory tariffs even further. It floated around 187–189 yen the following week. It climbed back to 191 yen in the week beginning April 21 as the yen was sold on headlines about US/Japan and US/China negotiations. It then floated around this level thereafter.

## 2. Outlook for This Month

The GBP/USD pair is expected to continue moving firmly in May.

The first thing to focus on will be the May 8 Bank of England (BOE) policy decision. Under current circumstances, expectations for a UK rate cut have risen, with bets on one rate hike topping 10% in the swap markets. The BOE has lowered rates in each recent quarter, but investors will be monitoring what the BOE thinks about the pace of rate cuts going forward (will it implement a succession of -0.50% or -0.25% cuts? At the time of writing, the markets have priced in just under four rate cuts for 2025.)

The most destabilizing factor will probably be headlines related to President Trump. Last month saw a series of headlines, with the markets selling the dollar on a sense of uncertainty with no end in sight. During the 90-day tariff moratorium, the US will be holding negotiations with the UK, the EU and China. It is hard to gauge what impact these will have on global risk sentiments. It seems likely investors will continue to avoid dollar assets until the results of these negotiations becomes clearer or until they get a better idea what the situation will be like after the 90-day freeze comes to an end.

UK long-term interest rate trends will also require ongoing attention. Last month, 30-year gilt yields made the news when they rose to their highest levels since 1998. With the surge of UK interest rates in January still fresh in the mind, market attention shifted to UK fiscal conditions. At this moment, it seems the recent rise was prompted by rising US interest rates, but if the focus shifts to the UK's finances, this will place selling pressure on the pound. The BOE has also excluded ultra-long-term gilts from its auction of bonds as it seeks to shrink its balance sheet. The key think will be the dialogue between the UK government and the markets about tariff fears and raised defense spending.

# Australian Dollar – May 2025

## Expected Ranges

**Against the US\$: US\$0.6300–0.6600**

**Against the yen: JPY89.00–94.00**

## 1. Review of the Previous Month

The AUD/USD pair plummeted to the lower-\$0.59 mark early April before rising to around \$0.64 thereafter.

The RBA board kept its policy rate fixed when it met on April 1. The markets had already priced this in to a large extent, so the reaction was muted. The Trump administration announced its closely-watched reciprocal tariffs on April 2. The greenback was subsequently sold on concerns about a US economic slowdown, with the currency pair temporarily rising to just under \$0.64 on April 3. China announced some retaliatory tariffs on April 4. The US dollar was also bought when the US March nonfarm payrolls change was above expectations. As a result, the AUD/USD pair plummeted below \$0.60. Stock markets fell sharply over the week beginning April 7, with risk aversion rising when China announced some retaliatory tariffs. On April 9, the pair fell to \$0.5910 for the first time since the pandemic. The US then announced a 90-day moratorium on tariffs against countries that had not imposed their own tariffs. With reports also saying the US would lower its tariff rate to 10%, US stocks rallied sharply and the currency pair surged to the lower-\$0.61 mark.

As the trade war between the US and China heated up, the pair strengthened as dollar assets were sold over April 10-11. Risk aversion eased on April 14 when President Trump announced electronic parts, etc. would be exempt from reciprocal tariffs. The AUD/USD pair then edged up to around \$0.64.

Trading was thin over April 21-25 with the markets on Easter holiday. The greenback then underwent a one-sided slide as President Trump criticized FRB chair Jerome Powell, so the currency pair edged up to hit a high of \$0.6439.

## 2. Outlook for This Month

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

Risk sentiments deteriorated sharply early April on headlines about the Trump administration's reciprocal tariffs, with the pair falling to a post-pandemic low. The Trump administration then announced a large-scale postponement of tariffs on most countries (though not China). The markets are now regaining composure as negotiations about trade agreements get underway.

The FOMC and RBA will both be meeting in May. Most observers believe the FOMC will keep rates fixed on inflation and uncertainty about the direction of the economy. With inflation steadily falling in Australia, though, the RBA is expected to lower rates. However, the markets have already fully factored in a 25bp rate cut, so the Australian dollar will only face limited downward pressure. As bilateral trade talks between the US and other countries (apart from China) proceed from here on, investors will gradually test the AUD/USD pair's upside if risk sentiments improve. On the technical side, the 50% Fibonacci line between the high of October last year and the low of April this year is moving around \$0.6430, with this forming a resistance level. If this level is clearly breached

on the upside, the next target will be the 200-day moving average line (\$0.6462). Australia will be holding a general election on May 3. The latest opinion polls suggest the ruling Labor Party and the opposition Coalition have similar approval ratings. The election will have minimal impact on the currency markets, but if neither party manages to gain a simple majority, this will result in a hung parliament, so the Australian dollar might weaken in the short term on concerns about political deadlock.

# Canadian Dollar – May 2025

## Expected Ranges

**Against the US\$: C\$1.3650–1.4000**

**Against the yen: JPY100.00–105.00**

## 1. Review of the Previous Month

Market sentiments about the US economy deteriorated in April, with the USD falling against the other major currencies. The Canadian dollar was also caught up in this flow, with the USD/CAD pair plunging from over C\$1.44 at the start of the month to C\$1.38 as the greenback was sold.

As expected, President Trump announced some reciprocal tariffs on other countries on April 2. These were set to begin on April 9, but the following day the administration announced the tariffs would be postponed for 90 days for all countries except China. Canada was exempted from the reciprocal tariffs, with the US also announcing that the 25% tariff on Mexican and Canadian products would remain on hold provided the products met the provisions of the United States-Mexico-Canada Agreement (USMCA). It seems tariffs on Canada would be lighter than those imposed on other trading nations, so the Canadian dollar rallied and the USD/CAD pair hit C\$1.40 for the first time since the start of December last year. With the US seesawing back and forth when it came to its tariff policies, market faith in the US declined and US stocks, treasuries and the US dollar were all sold, with the Canadian dollar bought and the currency pair sliding to C\$1.3829 on April 14 for the first time since the start of November last year. When the Bank of Canada (BOC) met on April 16, it said it would need to gather a lot more data to gauge the direction and impact of the Trump tariffs, with the bank keeping its policy rate fixed at 2.75% for the eight straight meeting.

President Trump said he had no intention of dismissing FRB chair Jerome Powell late April, so the financial markets regained some composure. The greenback was bought back slightly and the currency pair temporarily topped C\$1.39. However, the focus on the US government's trade negotiations then shifted to Japan, South Korea, India and China. As broadly expected, the Liberal Party also won the Canadian general election on April 28. Amid a dearth of factors, the currency pair moved in a narrow range around C\$1.38.

## 2. Outlook for This Month

It seems tariff negotiations between Canada and the US will kick off in earnest now the general election is out of the way, with the markets likely to be swayed by tariff news over the next few months too.

In particular, the USMCA will be up for revision in July 2026, so Canada and Mexico could see talks about revising the USMCA brought forward to coincide with negotiations about tariffs. Furthermore, though the Liberal Party won the general election, it may end up running a minority government (the final results were unclear as of April 29). If the election results in a coalition government, it will probably be hard to get the government to agree on a unified view. This is a further reason to expect tariff negotiations to drag on and there are concerns that corporate and consumer sentiments might deteriorate further. Some observers optimistically believe Canada will be exempted from a wide range of tariffs, but if the Canadian economy slows sharply, some investors believe the BOC might be

pushed into taking an active approach by implementing a 0.50% rate cut at its June meeting, for example.

One risk is that the US economy might slow more than expected. The FRB is concerned that tariffs might push inflation up, but if it starts to pivot towards supporting the economy through rate cuts, then the USD/CAD pair might drop below its current downside of C\$1.38 to head to its next downside target of C\$1.36.

# Korean Won – May 2025

## Expected Ranges

**Against the US\$: KRW 1,410–1,460**

**Against the yen: JPY 9.70–10.35 (KRW100)**

## 1. Review of the Previous Month

The USD/KRW pair fell in April.

The pair opened the month trading at KRW1473.0. The greenback was sold directly after the US announced details of its reciprocal tariffs. Uncertainty was then wiped away on April 4 when South Korea's Constitutional Court reached a unanimous decision to dismiss President Yoon Suk Yeol from office, so the won was bought and the pair temporarily fell to around KRW1430. However, the won weakened and the pair dropped back to KRW1470 on April 7 on concerns of an economic slowdown on US reciprocal tariffs. With China announcing some retaliatory tariffs, the pair hit a high of KRW1487.6 on April 9 on fears about deepening trade frictions. The won was also sold when it was announced that the incorporation of South Korean government bonds into the FTSE World Government Bond Index (WGBI) would be pushed back from November this year to April 2026. Excessive concerns then eased when the US announced it would suspend the additional portion of reciprocal tariffs, so the currency pair fell to around KRW1450 on April 11.

On April 14, the US also announced it was exempting electronic parts and semiconductors from reciprocal tariffs, so the pair continued trading around KRW1420 thereafter. As expected, the BOK kept policy rates fixed when it met on April 17, with all members predicting a rate cut within the following three months. In the week beginning April 21, faith in the US dollar fell on talks about dismissing FRB chair Jerome Powell. The greenback was sold and the pair temporarily tumbled to KRW1414.9, though President Trump then said he had no intention of firing Mr. Powell. Excessive fears waned on signs of progress in tariff negotiations between the US and other countries, so the dollar was bought back. The pair closed at KRW1437.3 (as of 15:30 on April 29).

## 2. Outlook for This Month

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

Attention remains focused on US trade policies, with these likely to impact the currency pair this month too. South Korea commenced trade negotiations with the US late April, with the foreign exchange rate also a topic of discussion. It seems the US wants to put a halt to won bearishness, but it would take an intervention to make this happen at this moment in time and it is hard to imagine this actually happening.

As for domestic factors, though the BOK kept policy rates fixed when it met in April, it voiced concerns about tariff uncertainty. At -0.2% q-o-q, South Korea's 2025 1Q GDP growth rate unexpectedly slid into negative territories. Exports have fallen on trade frictions, with private-sector spending and construction investment also slumping on high prices. When it meets in May, the BOK might downgrade its growth rate while also implementing a rate cut. Also, a presidential election will be held on June 3 following President Yoon Suk Yeol's removal from office. Investors should also pay attention to domestic political trends.

Some observers believe uncertainty is easing when it comes to domestic politics and trade, but the aforementioned factors suggest there will be minimal factors supporting won buying, with the USD/KRW pair set to continue moving firmly.

# New Taiwan Dollar – May 2025

## Expected Ranges

**Against the US\$: NT\$32.00–33.00**

**Against the yen: JPY4.15–4.55**

## 1. Review of the Previous Month

In April, the USD/TWD pair's movements were marked by US-dollar selling.

The pair opened at TWD33.200 on April 1. President Trump then announced the details of his reciprocal tariffs. As well as imposing a minimum 10% rate on all countries, the president also announced plans to hit some nations with even higher tariffs. This included a higher-than-expected 32% tariff on Taiwanese goods, so Taiwanese stocks fell sharply and the greenback was bought on risk aversion, with the pair temporarily climbing to TWD33.230. However, the pair's downside was capped as Taiwanese authorities made some adjustments and as domestic investors realized sales of overseas assets.

US stocks faced more downward pressure mid-April. With ultra-long-term bonds and other bonds also facing selling pressure, the US dollar was sold at a faster pace, despite rising interest rates. With US markets undergoing a triple slide, the greenback was also sold in Taiwanese markets, with the Taiwanese dollar rallying below TWD32.50 for a time.

President Trump stepped up his criticism of FRB chair Jerome Powell late April. As Taiwanese stocks fell on risk aversion, the Taiwan dollar was sold. However, President Trump then said he had no intention of firing Mr. Powell. With the Taiwanese authorities also making some corrections, the currency pair jostled around the mid-TWD32 mark before closing at this level.

## 2. Outlook for This Month

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

The pair has regained some composure after wild trading in April, but the market focus will remain on the progress of trade negotiations and the movements of Taiwanese investors.

When it comes to trade talks, reports say Taiwanese hi-tech firms will step up their investments in the US. If the US lowers its tariffs from the current high rate of 32%, expectations for Bank of Taiwan rate cuts will also wane to a certain extent, with the Taiwan dollar likely to be bought as a result. Furthermore, there has been a rush of demand from the US before the tariffs kick in, with this likely to lead to increased demand for US-dollar selling among exporters.

Meanwhile, fragmentary data suggests overseas investors might shift away from US assets. If Taiwanese investors also get swept up in these moves away from US assets and the greenback, then the US dollar will face more selling pressure and the currency pair might drop to the lower-TWD32 mark.

# Hong Kong Dollar – May 2025

## Expected Ranges

**Against the US\$: HK\$ 7.7500–7.7800**

**Against the yen: JPY 17.90–18.70**

## 1. Review of the Previous Month

Since the announcement of Trump's sweeping reciprocal tariffs, the HKD has strengthened from 7.7832 to its 4-year high of 7.7531. This strength is attributed to heavy USD sell-offs driven by uncertainties surrounding Trump's policies and the tariffs-induced US recession. As an international finance center, HK-based investors and funds may face pressure to offload their USD bonds and equities amid market turmoil, repatriating capital back to home currencies, which leads to HKD appreciation. During turbulent market conditions, the long USD/HKD carry trade was unwound, making the HKD less sensitive to the USD-HKD interest rate differential. The HKD purchase via the Stock Connect scheme, with year-to-date inflows exceeding HKD 600bn, also provided strong support to the HKD. As RMB sentiment held broadly steady amid escalating China-US tariffs, the short-lived CNH depreciation had limited impact on the HKD spot. IPO activities picked up continuously as the Hang Seng Index recovered from the historical crash of 3,000 points in a single day amid the US reciprocal tariffs shock and China's retaliations. On the macro front, HK growth expectations deteriorated significantly due to the 145% US tariffs on China, including HK. However, the HK government maintained the city as a free trade port, refraining from imposing retaliatory tariffs on US goods.

## 2. Outlook for This Month

As the Fed is expected to keep its policy rate at the current level for longer, it will be difficult for the HKD to sustainably reach the 7.75 level due to the USD-HKD interest rate differential. The escalating China-US tensions and global trade war will jeopardize HK's growth outlook, dampening loan demand. If the Fed delays its rate cut cycle further, mortgage demand could remain soft. Indeed, when financial market conditions stabilize, the long USD/HKD carry trade flow would resume, keeping HKD spot away from the 7.75 level. Apart from the Fed's policy, we reckon that the HKD will remain strong in the near term. A renewed IPO frenzy could stimulate demand for HKD and squeeze HKD liquidity conditions, with the EV battery producer giant filing its second IPO listing. However, the IPO-induced liquidity squeeze is less likely to repeat following regulators' moves to cap margin financing for IPOs and more volatile HK stock markets. Otherwise, refreshing HK equities rallies, coupled with potential supplementary stimulus from China, could attract capital inflow from mainland China and foreign investors, supporting HKD demand. Moreover, the seasonality in dividend payout flows from HK-listed Chinese corporates could propel HKD demand and tighten HKD liquidity conditions, but the impact is set to wane compared to previous years due to the new practice of interim dividend payouts.

# Chinese Yuan – May 2025

**Expected Ranges**                      **Against the US\$: CNY 7.2000–7.4000**  
**Against the yen: JPY 19.00–20.50**

## 1. Review of the Previous Month

In April, the U.S. dollar/Chinese yuan exchange rate (on-shore U.S. dollar/Chinese yuan exchange rate) rose slightly.

On April 1, the U.S. dollar/Chinese yuan exchange market opened trading at the upper-CNY 7.25 level. After the announcement on the introduction of reciprocal tariffs by the Trump administration in the U.S., the Chinese yuan depreciated in the off-shore U.S. dollar/Chinese yuan market. On April 3, the following day, the People's Bank of China (PBOC) central parity rate was also set toward a weaker Chinese yuan. As a result, the on-shore U.S. dollar/Chinese yuan exchange market opened trading at the CNY 7.30 level. However, the trend reversed immediately after, as concerns were growing over stagflation in the U.S. Thereafter, there was an announcement on retaliatory tariffs rapidly announced by China. In response to the retaliatory tariffs of China, the U.S. announced an additional tariff of 50% on April 7. China then announced that its tariffs would be raised to 84% on April 9. Having seen the situation, market participants grew concerned over further intensification of the trade frictions. Consequently, the U.S. dollar/Chinese yuan exchange rate approached the upper end of the fluctuation range during the day. On April 10, the U.S. dollar/Chinese yuan exchange rate temporarily reached the CNY 7.35 level. In the off-shore U.S. dollar/Chinese yuan exchange market, the exchange rate once rose rapidly to the CNY 7.42 level.

Thereafter, risk-averse sentiment grew in the market based on growing concerns over the economic outlook in the U.S. Under such circumstances, the trend reversed and the U.S. dollar weakened against the Chinese yuan as well, and the U.S. dollar/Chinese yuan exchange rate fell to the CNY 7.29 level. Thereafter, downward pressure strengthened on the U.S. dollar against a wide range of currencies. However, in the U.S. dollar/Chinese yuan exchange market, the Chinese yuan depreciated against the U.S. dollar, as there was no significant progress in the trade negotiations held between the U.S. and China. As a result, the U.S. dollar/Chinese yuan exchange rate returned to the CNY 7.32 level on April 16.

In the second half of the month, the U.S. dollar/Chinese yuan exchange rate continued to fluctuate mainly at around the CNY 7.30 level without moving in any direction. However, toward the end of the month, the U.S. dollar/Chinese yuan exchange rate started to fall slightly, and as of noon of April 29, the U.S. dollar/Chinese yuan exchange rate was fluctuating at the CNY 7.27 level.

## 2. Outlook for This Month

In May, the U.S. dollar/Chinese yuan exchange rate is forecast to remain stable without falling significantly, even though it is likely to rise only to a limited extent.

The confusion in the market caused by the introduction of reciprocal tariffs by the Trump administration in the U.S. has been calming down. On the other hand, in reports from various media outlets, there have been no signs of

positive progress in the trade negotiations between the U.S. and China. Furthermore, the Chinese monetary authorities have clearly denied what was reported as speculation, which seems to suggest the situation is at a stalemate. In the times ahead, it is possible for the negotiations to take place between the two countries. However, the negotiations are likely to last long, which is likely to continue strengthening downward pressure on the Chinese yuan. Yet, there have also been persistent concerns over the negative impact of the protracted trade negotiations on the U.S. economy. In April, market participants sold the U.S. dollar in an accelerated manner based on concerns over stagflation in the U.S., causing not only the depreciation of the U.S. dollar but also a decline in the stock and bond markets in the U.S. In the U.S. dollar/Chinese yuan exchange market, the U.S. dollar strengthened slightly against the Chinese yuan, unlike against other major currencies. However, there has been growing risk for the U.S. dollar to start depreciating also against the Chinese yuan, if market participants start focusing on their concerns over the economic outlook for the U.S., as China has clearly started that there would be no more discussions on retaliatory tariffs. Thus, market participants are advised to remain attentive of this risk.

Under such an uncertain situation, the Federal Reserve Board (FRB) is strengthening its wait & see attitude, unlike the PBOC, which has clearly announced its plan to cut policy interest rates. This difference in the situation between the U.S. and China is likely to support the U.S. dollar/Chinese yuan exchange rate. However, in terms of the depreciation of the Chinese yuan, the upper end of the daily fluctuation range is not likely to change largely from around the CNY 7.35 level, based on the central parity rate calculated by the PBOC using counter-cyclical factors. Thus, the U.S. dollar/Chinese yuan exchange rate is likely to rise only to a limited extent.

# Singapore Dollar – May 2025

**Expected Ranges**                      **Against the US\$: SG\$ 1.3000–1.3400**  
**Against the yen: JPY 107.00–111.50**

## 1. Review of the Previous Month

In April, the U.S. dollar/Singapore dollar exchange rate fell in the first half of the month, after which it continued fluctuating within a narrow range, generally between SGD 1.31 and SGD 1.32.

At the beginning of the month, the U.S. dollar/Singapore dollar exchange market opened trading at the lower-SGD 1.34 level. In the early morning of April 3, the Trump administration in the U.S. announced its decision to impose reciprocal tariffs targeting every country in the world. In response, concerns grew over a global economic slowdown, weakening the stock and bond markets in the U.S. as well as the U.S. dollar, with risk-averse sentiment growing in the entire market. Immediately after the announcement of this decision, market participants instantly sold the Singapore dollar, and the U.S. dollar/Singapore dollar exchange rate reached SGD 1.35. However, the trend reversed shortly thereafter, and market participants bought the Singapore dollar and sold the U.S. dollar, and this led the U.S. dollar/Singapore dollar exchange rate to reach the lower-SGD 1.33 level on the same day. However, on the following day, market participants bought back the U.S. dollar even before the release of the U.S. employment statistics, and the U.S. dollar/Singapore dollar exchange rate rose to reach the upper-SGD 1.34 level. Thereafter, the employment statistics of the U.S. turned out to be stronger than expected, and the U.S. dollar/Singapore dollar exchange rate remained at around the SGD 1.35 level for several days. On April 9, the media reported that the reciprocal tariffs would be suspended for 90 days, and this encouraged market participants to buy the Singapore dollar. As a consequence, the U.S. dollar/Singapore dollar exchange rate fell to a level near SGD 1.34. Thereafter, market participants bought back a wide range of Asian currencies. Under such circumstances, the Singapore dollar outperformed other Asian currencies, as Singapore would be impacted less seriously by the reciprocal tariffs. Thus, the U.S. dollar/Singapore dollar exchange rate fell below the SGD 1.32 level.

On April 14, the Monetary Authority of Singapore (MAS) held a regular quarterly monetary policy meeting and decided to introduce additional measures of monetary easing, as had also been done at the previous meeting held in January. Regarding its monetary policy, the MAS decided to slow down the rate of appreciation of the Singapore dollar further in the currency guidance. Immediately after the announcement of this decision, the U.S. dollar/Singapore dollar exchange rate fell to reach the mid-SGD 1.31 level. Thereafter, the U.S. dollar/Singapore dollar continued fluctuating in both directions until the end of April, while slightly falling. With this trend, the U.S. dollar/Singapore dollar exchange rate approached the SGD 1.31 level.

On April 21 in the morning, after a national holiday, the U.S. dollar/Singapore dollar exchange rate fell further to almost reach SGD 1.30. At the end of the previous week, U.S. President Donald Trump mentioned the possible dismissal of Federal Reserve Board (FRB) Chair Jerome Powell, and this fueled the sense of uncertainty over the political and economic outlook for the U.S., encouraging market participants to sell the U.S. dollar. Thereafter, U.S. President Donald Trump retracted the possibility to dismiss Jerome Powell, after which the U.S. dollar/Singapore dollar exchange rate slowly returned to approach the SGD 1.31 level. As of this writing, the U.S. dollar/Singapore dollar exchange rate has been fluctuating at around the SGD 1.31 level.

## 2. Outlook for This Month

In May, the U.S. dollar/Singapore dollar exchange rate is forecast to rise slightly, even though the sense of uncertainty over future conditions persists.

In April, the U.S. dollar/Singapore dollar exchange rate continued fluctuating in accordance with news headlines related to the U.S. The U.S. has just started negotiations with various countries on reciprocal tariffs, and thus the U.S. dollar/Singapore dollar exchange rate is likely to continue fluctuating in accordance with news headlines in the times ahead. As there is still some time with the 90-day grace period, the countries involved are likely to proceed with negotiations in a cautious manner while observing what other countries are doing. If there is steady progress in the situation, market participants are expected to buy the U.S. dollar as they reverse the risk-averse sentiment, which means they will sell the Singapore dollar against the U.S. dollar.

When it comes to economic conditions in Singapore, the year-on-year retail sales for February turned out to be at its lowest level in three years. Even though this figure is generally highly changeable, the three-month moving average suggests that the figure has been on a slow decline since the second half of 2023. It is also worth noting that the Consumer Price Index (CPI) and the core CPI of Singapore released in April turned out to be low. In the statement released after its monetary policy meeting held in April, the MAS announced a downward revision of the GDP outlook (annual rate) for 2025 from a range between 1% and 3% to a range between 0% and 2%, as well as a downward revision of the headline inflation rate to a level far below 2%, along with the core inflation rate from a range between 1% and 2% to a range between 0.5% and 1.5%. Moreover, the MAS also mentioned risks related to additional tariffs to be introduced by the U.S. According to the MAS, there is a list of risk factors such as growing economic uncertainty, potential trade wars caused by retaliatory tariffs, and the possibility of global disinflation and recession. Based on the economic conditions in Singapore alone, it is possible for the MAS to further ease its monetary policy, which may lead the U.S. dollar/Singapore dollar exchange rate to rise.

# Thai Baht – May 2025

**Expected Ranges**                      **Against the US\$: THB 33.00–34.00**  
**Against the yen: JPY 4.25–4.40**

## 1. Review of the Previous Month

The U.S. dollar/Thai baht exchange rate temporarily approached THB 35 at the beginning of April, although the exchange rate fell significantly thereafter.

At the beginning of the month, the U.S. dollar/Thai baht exchange market opened trading at a level just below the THB 34 level. The U.S. dollar/Thai baht exchange rate reached the THB 34 immediately thereafter and continued rising further, reacting to the details of the reciprocal tariffs announced by U.S. President Donald Trump on April 3. Thereafter, the trend calmed down. However, the U.S. dollar/Thai baht exchange rate rose to just below the THB 35 amid the intensification of the trade frictions between the U.S. and China. On April 9, the U.S. then announced a temporary 90-day suspension of the reciprocal tariffs for some countries and regions, including Thailand. In response, the U.S. dollar/Thai baht exchange rate returned to the lower-THB 34 level. Furthermore, the March Consumer Price Index (CPI) for the U.S. was released on the following day, and growth turned out to be slower than expected. Because the U.S. also announced to raise tariffs on China to 145%, the U.S. dollar/Thai baht exchange rate fell below the THB 34 level.

In the middle of the month, the U.S. dollar/Thai baht exchange rate fell and approached the mid-THB33 level on April 11, as China had raised its tariffs on the U.S. to 125% and as U.S. economic indices were released on the same day with generally weak figures. On April 16, the appreciation of the Thai baht was further accelerated by the strong figures in the Chinese economic indices as well as the rise in the price of gold. As a result, the U.S. dollar/Thai baht exchange rate fell further to the lower-THB 33 level. Thereafter, market participants lost confidence in the U.S. dollar due to inconsistent remarks by U.S. President Donald Trump. Under such circumstances, the U.S. dollar/Thai baht exchange rate continued fluctuating at the lower-THB 33 level without rising.

At the end of the month, the media reported the possible dismissal of Federal Reserve Board (FRB) Chair Jerome Powell on April 21. In reaction, the U.S. dollar/Thai baht exchange rate temporarily fell to approach THB 33. However, U.S. President Donald Trump denied this media report on April 22, and this encouraged market participants to buy back the U.S. dollar. Then, the U.S. dollar/Thai baht exchange rate approached the mid-THB 33 level. Toward the end of the month, the U.S. dollar continued appreciating slowly with expectation for the mitigation of the trade frictions between the U.S. and China. As of the afternoon of April 28, when this article was being written, the U.S. dollar/Thai baht exchange rate has been fluctuating at the upper-THB 33 level.

## 2. Outlook for This Month

In May, the U.S. dollar/Thai baht exchange rate is forecast to remain low, even though U.S. dollar-selling is likely to slow down.

At the Federal Open Market Committee (FOMC) meeting scheduled for May, the FRB is expected to

maintain a cautious attitude regarding additional policy interest rate cuts at an early stage. Thus, the U.S. dollar/Thai baht exchange market is likely to be impacted by headlines related to the U.S. tariffs, as has been the case so far. At the moment, countries concerned have started negotiations with the U.S. However, the U.S. has mentioned the possibility of imposing reciprocal tariffs again against countries that are unable to reach an agreement in the next several weeks. Many countries in Asia with high tariffs such as Japan, South Korea, and India, are likely to reach a small-scale provisional agreement before the end of the temporary grace period of 90 days. However, in the negotiation between the U.S. and China, which market participants are observing particularly attentively, the situation is at a stalemate, as China is not ready to compromise. Even though the U.S. dollar is expected to rally for the moment, the U.S. dollar/Thai baht exchange rate is not likely to rise significantly, as cautious feelings persist in the market.

When it comes to domestic factors in Thailand, according to the market consensus, the central bank of Thailand will almost certainly cut its policy interest rate by 25 basis points at the next monetary policy committee (MPC) meeting scheduled for April 30. Moreover, market participants are worried that the U.S. tariff policy will impact the Thai economy negatively, and thus further expectations for the policy interest rate cut have spread rapidly in the market. Some market participants even expect the policy interest rate to be cut to 1% by the end of the year. It is also worth mentioning that market participants are slowly unwinding their long positions on gold, which was the destination of the capital flowing from the stock and bond markets, amid the confusion in the monetary market caused by the tariff policy of the Trump administration in the U.S. Since Thailand is a major transaction hub for gold, there has been strong correlation between the U.S. dollar/Thai baht exchange rate and the price of gold. The fall of the price of gold is therefore likely to strengthen downward pressure on the Thai baht.

For the above reasons, the U.S. dollar/Thai baht exchange rate is expected to rally once, but the exchange rate is not likely to rise significantly.

# Malaysian Ringgit – May 2025

## Expected Ranges

**Against the US\$: MYR 4.3000–4.4000**

**Against the yen: JPY 32.00–33.50**

## 1. Review of the Previous Month

In April, the U.S. dollar/Malaysian ringgit exchange market remained highly volatile and observed its highest rate in the year for the Malaysian ringgit. At the beginning of the month, the U.S. dollar/Malaysian ringgit exchange market opened trading at the upper-MYR 4.43 level. Also, the reciprocal tariffs proposed by the U.S. government turned out to be significantly higher than the market estimate, which worsened the market sentiment. On the day after the announcement, the U.S. dollar/Malaysian ringgit exchange rate thus rose rapidly to reach the MYR 4.48 level for the first time in two months. However, as concerns over the U.S. economic slowdown grew, interest rates in the U.S. fell, leading to the depreciation of the U.S. dollar on a global level. As a result, the U.S. dollar/Malaysian ringgit exchange rate once reached the MYR 4.41 level on April 4. Thereafter, however, stock prices fell significantly in major markets, and the U.S. dollar/Malaysian ringgit exchange rate rose rapidly from the MYR 4.43 level to the MYR 4.47 level in the morning of April 7. Once the U.S. government announced that it would impose 104% tariffs on China in total, as had been scheduled, the U.S. dollar/Malaysian ringgit exchange rate finally temporarily exceeded the MYR 4.50 mark, which had been considered to be the upper end of the fluctuation range. However, U.S. President Donald Trump unexpectedly announced thereafter that, for those countries that have not introduced retaliatory tariffs, there would be a temporarily suspension of the reciprocal tariffs for 90 days. In reaction, trends reversed and stock prices rose significantly, and the U.S. dollar depreciated globally. As a result, on April 10, the U.S. dollar/Malaysian ringgit exchange rate fell to the mid-MYR 4.46 level. In the middle of the month, while market participants were waiting for the next phase of the situation, the U.S. dollar remained weak. The U.S. dollar/Malaysian ringgit exchange rate thus continued fluctuating mainly at around the MYR 4.41 level for a while. At the end of the month, the media reported that U.S. President Donald Trump was considering dismissing Federal Reserve Board (FRB) Chair Jerome Powell. In reaction, the confidence in the U.S. dollar fell significantly in the market, causing a global trend of depreciation of the U.S. dollar. Following this trend, the U.S. dollar/Malaysian ringgit exchange rate fell rapidly to approach MYR 4.37. Thereafter, U.S. President Donald Trump tried to calm the situation by denying the dismissal of FRB Chair Jerome Powell. As a result, market participants bought back the U.S. dollar, and the U.S. dollar/Malaysian ringgit exchange rate rallied to the MYR 4.41 level. However, with a sense of relief, market participants also bought the Malaysian ringgit, which led the U.S. dollar/Malaysian ringgit exchange rate to fall below MYR 4.40 again. The U.S. dollar/Malaysian ringgit exchange rate continued falling and reached the MYR 4.37 level. In the last week of the month, the media reported that the tariffs on automobiles might be cut, which improved the market sentiment. The Chinese yuan, the Malaysian ringgit, and the Thai baht appreciated against the U.S. dollar. The Malaysian ringgit continued appreciating against the U.S. dollar, and the U.S. dollar/Malaysian ringgit exchange rate reached the MYR 4.32 level on April 29.

## 2. Outlook for This Month

In May, the U.S. dollar/Malaysian ringgit exchange rate is forecast to remain at the lower-MYR 4.3 level, which is the highest rate in the year for the Malaysian ringgit. At the beginning of the previous month, the U.S. dollar/Malaysian ringgit exchange market was highly volatile, as the reciprocal tariffs proposed by the U.S. turned out to be significantly higher than expected, causing serious impact on the market. However, as concerns grew thereafter both domestically and internationally, U.S. President Donald Trump was slowly starting to show a willingness to compromise. This may be explained by the fact that the Trump administration has a comprehensive tax cut bill that needs to pass Congress in July, and for the bill to pass Congress more easily, the administration needs to underline what it has achieved so far while easing domestic market sentiment. Under such circumstances, from an optimistic point of view, it would be easier for the U.S. to conclude a deal with countries that have started negotiations early, such as Japan, Malaysia, and Vietnam. Therefore, this situation is likely to strengthen the Malaysian ringgit.

On the other hand, the first-quarter GDP in 2025 for Malaysia was announced in April, and the result turned out to be +4.4% year-on-year, recording a slowdown in growth for the third consecutive quarter period, despite the last-minute demand before the introduction of U.S. tariffs. This already made it uncertain if Malaysia would be able to achieve the GDP estimate included in the budget bill for 2025 (4.5–5.5%). Thus, even if Malaysia manages to conclude a deal with the U.S., it would still be impacted by the overall trend of the market as part of the global economy, inevitably slowing the pace of its growth. Under such circumstances, it is difficult to expect the Malaysian ringgit to appreciate one-sidedly. However, market participants are not likely to actively buy the U.S. dollar either. Therefore, the U.S. dollar/Malaysian ringgit exchange rate is most likely to fluctuate at around the highest rate in the year for the Malaysian ringgit.

# Indonesian Rupiah – May 2025

## Expected Ranges

**Against the US\$: IDR 16,600–17,100**

**Against the yen: JPY 0.8300–0.8800 (IDR 100)**

## 1. Review of the Previous Month

In April, the U.S. dollar/Indonesian rupiah exchange rate rose.

From April 1 to April 7, the market was closed because of the Lebaran holidays. On April 8, the U.S. dollar/Indonesian rupiah market had its first trading day since March 27, and the U.S. dollar/Indonesian rupiah exchange rate rose significantly. Risk-averse sentiment was growing globally, due to the additional tariffs announced by the U.S., which weakened the Indonesian rupiah. As a result, the U.S. dollar/Indonesian rupiah exchange rate reached the IDR 16,800 level. On April 9, the Indonesian rupiah remained weak, as was the case on the previous day, and the U.S. dollar/Indonesian rupiah exchange rate rose to temporarily approach the IDR 17,000 level. On April 10, U.S. President Donald Trump announced his decision to temporarily suspend the implementation of the reciprocal tariffs. In reaction, the majority of the currencies of Asian emerging countries appreciated. Following this trend, the Indonesian rupiah appreciated against the U.S. dollar as well.

On April 14, the media reported that the tariffs introduced by U.S. President Donald Trump would be reduced not only for electronic parts but also for automobile parts. Favorably reacting to this news, market participants adopted a risk-taking attitude, and the U.S. dollar/Indonesian rupiah exchange rate once fell to the mid-IDR 16,700 level. However, there were also many market participants who wanted to buy the U.S. dollar at this price, which led the U.S. dollar/Indonesian rupiah to rally to the IDR 16,800 level. On April 15, the U.S. dollar/Indonesian rupiah once reached the upper-IDR 16,700 level. However, toward the end of the day, it rallied slowly and recovered to the IDR 16,800 level. On April 16, the following day, the U.S. dollar/Indonesian rupiah exchange rate continued rising and reached the mid-IDR 16,800 level. On April 17, the U.S. dollar/Indonesian rupiah exchange rate continued fluctuating within a narrow range at the lower-IDR 16,800 level throughout the day, as there were no new factors to impact the market. The U.S. dollar/Indonesian rupiah exchange market closed at this level for the week.

On April 21, the U.S. dollar/Indonesian rupiah exchange rate once fell below IDR 16,800 level. However, market participants started buying the U.S. dollar thereafter, and the U.S. dollar/Indonesian rupiah exchange rate rallied to the IDR 16,800 level. On April 22, the U.S. dollar/Indonesian rupiah exchange rate continued fluctuating within a narrow range at the mid-IDR 16,800 level. However, on April 23, the exchange rate started to rise. U.S. President Donald Trump denied the media report regarding the possible dismissal of Federal Reserve Board (FRB) Chair Jerome Powell while also making some remarks regarding tariffs against China. This was taken favorably in the market, and investor sentiment improved, strengthening the U.S. dollar. At the regular meeting of the central bank of Indonesia, the policy interest rate was maintained at the existing level for the third consecutive time.

Toward the end of the month, the U.S. dollar/Indonesian rupiah slightly fell and remained low, fluctuating mainly at the IDR 16,700 level.

## 2. Outlook for This Month

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

In April, the Indonesian rupiah depreciated at an accelerated rate after the Lebaran holidays, as a result of which the Indonesian rupiah renewed its lowest rate against the U.S. dollar. The Indonesian rupiah has been depreciating against the U.S. dollar since October last year. However, the depreciation of the Indonesian rupiah was correlating with the U.S. dollar index. Thus, it is considered that the depreciation of the Indonesian rupiah was mainly due to the appreciation of the U.S. dollar. However, in 2025, the U.S. dollar/Indonesian rupiah exchange rate has been rising even when the U.S. dollar depreciates, which makes it likely that the recent depreciation of the Indonesian rupiah has been mainly caused by factors related to Indonesia. One of such factors is growing concerns over the fiscal condition in Indonesia. Even though President Prabowo Subianto has been taking action to cut expenditures, there has been a persistent sense of uncertainty toward fiscal policy. Under such circumstances, the U.S. dollar/Indonesian rupiah exchange rate is likely to remain high until there has been a detailed plan to improve the situation.

At its meeting held in April, the central bank of Indonesia decided to maintain its policy interest rate at the existing level. The governor of the central bank of Indonesia, Perry Warjiyo, expressed his intention to prioritize the stability of the currency while also stating that there would be more space for policy interest rate cuts if the Indonesian rupiah remains stable. If his words can be taken literally, it is likely for the central bank to postpone policy interest rate cuts if the Indonesian rupiah continues depreciating. However, given that the central bank made an unexpected decision to cut its policy interest rate in January, market participants are still aware of the possibility of policy interest rate cuts.

The central bank of Indonesia announced that it would intervene in the foreign exchange market. However, it is considered difficult to change the overall market trend, even if the central bank succeeds in slowing the depreciation of the Indonesian rupiah. For these reasons, the U.S. dollar/Indonesian rupiah exchange rate is forecast to remain high and stable.

## Philippine Peso – May 2025

### Expected Ranges

**Against the US\$: PHP 55.70–57.20**

**Against the yen: PHP 0.385–0.405**

### 1. Review of the Previous Month

**In April, the Philippine peso continued intermittently renewing its highest exchange rate in the year against the U.S. dollar.**

In April, the U.S. dollar/Philippine peso exchange market opened trading at PHP 57.20. At the beginning of the month, the details of the tariff policy were announced in the U.S., shocking many countries. However, the tariff rate for the Philippines turned out to be relatively lower compared to other countries in Asia. While stock markets saw violent fluctuations in many countries, market participants bought the Philippine peso against the U.S. dollar. On April 4, the U.S. dollar/Philippine peso exchange rate fell to reach the upper-PHP 56 level—the lowest level since October last year—renewing its highest rate in the year for the Philippine peso. Furthermore, the March price statistics of the Philippines were also announced on April 4, and the outcome turned out to be +1.8%, falling below the previous month's result, which was +2.1%, as well as the market estimate, which was +2.0%. The figure declined for the third consecutive month. On April 10, the central bank of the Philippines held a monetary policy meeting and decided to cut its policy interest rate by 0.25%, as had been anticipated by many in the market. In the U.S. dollar/Philippine peso exchange market, the Philippine peso weakened, and the exchange rate returned to approach the PHP 57.20–57.40 level. However, due to media reports related to the tariff policy in the U.S., the U.S. dollar remained weak.

In the middle of April, demand for the Philippine peso increased, as consumption activities intensified during Holy Week (four consecutive holidays). As a result, market participants bought the Philippine peso at an accelerated rate. As a consequence, the U.S. dollar/Philippine peso exchange rate temporarily reached PHP 56.50, renewing the highest rate for the Philippine peso that was seen at the beginning of the month,

At the end of the month, the U.S. dollar/Philippine peso exchange rate continued fluctuating in both directions, reacting to both negative and positive factors, such as remarks by U.S. President Donald Trump regarding the possible dismissal of Federal Reserve Board (FRB) Chair Jerome Powell, as well as a media report related to the tariff policy in the U.S. Yet, Philippine peso-buying remained dominant, and the U.S. dollar/Philippine peso exchange rate reached the lower-PHP 56 level. Thus, the Philippine peso remained at the highest level in the year until the end of the month.

### 2. Outlook for This Month

**In May, the U.S. dollar is forecast to remain weak against the U.S. dollar, while the U.S. dollar/Philippine peso exchange rate is likely to continue fluctuating in reaction to information related to the U.S.**

The governor of the central bank of the Philippines, Eli Remolona, made a remark that if the trade war over tariffs among various countries intensifies further, there might be further measures of monetary easing. Under such circumstances, the first important event is the release of the April price statistics of the Philippines scheduled for May 6, as well as the release of the first-quarter GDP scheduled for May 8. It is important, however, that the next monetary policy meeting in the Philippines is scheduled for June 19, which is a little further away. Thus, in May, the U.S. dollar/Indonesian rupiah exchange rate is expected to continue fluctuating in reaction to factors related to the U.S. The April employment statistics for the U.S. are to be announced on May 2, while the next Federal Open Market Committee (FOMC) meeting is scheduled for May 8. Market participants expect the FOMC to cut its policy interest rate at earliest at the next FOMC meeting scheduled for June 18. However, market participants are likely to wait for the press interview of the FRB Chair Jerome Powell scheduled after the FOMC meeting this time to look for new factors to impact the market in the times ahead.

It is also important to mention that the U.S. dollar is likely to remain weak, as discussions regarding the tariff policy in the U.S. are expected to last for a long time. The U.S. dollar/Philippine peso exchange rate is most likely to fluctuate in both directions, mainly at the PHP 56 level. However, it is possible for the exchange rate to temporarily fall below the PHP 56 level, depending on unexpected remarks by U.S. President Donald Trump, as well as the results of economic indices. In September last year, the Philippine peso appreciated against the U.S. dollar, and the U.S. dollar/Philippine peso exchange rate approached the mid-PHP 55 level. However, the exchange rate did not stay at this level for long, and the trend reversed after about a month, with the depreciation of the Philippine peso. Therefore, it is difficult to expect market participants to fully buy back the U.S. dollar only based on strong economic indices in the U.S.

# Indian Rupee – May 2025

## Expected Ranges

**Against the US\$: INR 84.50–87.00**

**Against the yen: JPY 1.55–1.75**

## 1. Review of the Previous Month

**In April, the U.S. dollar/Indian rupee exchange rate rose once and fell to the level seen at the beginning of the month, while the Indian rupee remained strong.**

In April, the U.S. dollar/Indian rupee exchange market opened trading at the upper-INR 85 level. At the beginning of the month, pressure to sell the U.S. dollar strengthened after the announcement on tariff policy by U.S. President Donald Trump. As a result, the U.S. dollar/Indian rupee exchange rate fell below the INR 85 mark. In the middle of the month, the Indian rupee depreciated against the U.S. dollar, and the U.S. dollar/Indian rupee exchange rate reached the upper-INR 86 level, with speculations about a monetary policy committee (MPC) meeting as well as consecutive policy interest rate cuts. At the end of the month, pressure to sell the U.S. dollar was mitigated temporarily, and the U.S. dollar/Indian rupee exchange rate returned to the mid-INR 85 level. However, there were also transactions based on actual demand, as well as foreign exchange market interventions by the Reserve Bank of India (RBI, India's central bank) to keep the U.S. dollar/Indian rupee exchange rate from falling excessively. As a result, the U.S. dollar/Indian rupee exchange rate generally remained high, and the U.S. dollar/Indian rupee exchange market closed trading at the lower-INR 85 level (as of April 28).

The BSE Sensex opened trading at the lower-77,000 level at the beginning of the month. Thereafter, stock prices fell globally after the announcement of the tariff policy of the U.S. Following this trend, the BSE Sensex fell and once reached the 71,000 level. From the middle to the end of the month, the index bottomed out and started to rise. In the end, monthly trading closed at a level above the 80,000 mark (as of April 28). Capital inflow from foreign investors into the stock market in India was a net sell at the beginning of the month, but the trend reversed and there was a net buy, showing signs of gradual recovery.

In terms of the economic indices for India, the March manufacturing and service industry Purchasing Managers' Index (PMI) turned out to have mixed results. At its April meeting, the MPC decided to cut its policy interest rate for the second consecutive time to 6.00%, shifting toward monetary easing. The February Index of Industrial Production (IIP) turned out to be below the market estimate, along with the previous result. The March Consumer Price Index (CPI, year-on-year) turned out to be +3.34%, recording a decline from the previous figure, which was +3.61%. The March trade balance revealed an increase in deficit, confirming the constant trade deficit in the Philippines.

## 2. Outlook for This Month

**In May, the U.S. dollar/Indian rupee exchange rate is forecast to fluctuate at around the INR 85 mark,**

In May, market participants are advised to observe whether the U.S. dollar/Indian rupee exchange rate will fluctuate at around the INR 85 mark and whether the exchange rate will remain stable. After pressure to sell the U.S. dollar based on the U.S. tariff policy peaked out, foreign investor capital inflow started to return, which is a positive factor for the Indian rupee. Thus, from a short-term perspective, the U.S. dollar/Indian rupee exchange rate is expected to remain low. However, on the other hand, there will also be transactions based on actual demand as well as foreign exchange market interventions by the RBI to keep the U.S. dollar/Indian rupee exchange rate from falling excessively, which is likely to lead the Indian rupee to depreciate gradually again.

At its meeting held in April, the MPC took a unanimous decision to cut its policy interest rate for the second consecutive time to 6.00% after the first policy interest rate cut in approximately five years. The policy stance was also changed from "neutral" to "accommodative." Even though India is now in a phase to confirm the process of disinflation, the MPC expressed its intention to continue cutting its policy interest rate by emphasizing that the inflation outlook had been dramatically improved and that there had been steady trust about the achievement of the inflation target, while also explaining that the change of its stance would indicate the direction of its monetary policy.

In general, the Indian rupee is forecast to appreciate against the U.S. dollar in May, due to growing pressure to sell the U.S. dollar based on the monetary policies of the U.S. and Japan. However, a sense of uncertainty and distrust is growing in the market due to unexpected remarks made by U.S. President Donald Trump regarding the U.S. tariff policy. Thus, the appreciation of the Indian rupee against the U.S. dollar is not likely to be as rapid as originally anticipated. Compared to previous trends, the U.S. dollar/Indian rupee exchange rate fluctuation range has been wider with a higher rate of volatility, which has both strengthened and weakened the Indian rupee. However, the overall depreciation of the Indian rupee is likely to continue, given concerns over a slowdown of the Indian economy, policy interest rate cuts already reflected in the market, and trends in capital outflow.

This report was prepared based on economic data as of April 30, 2025.

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