FX at a Glance

Economics & Strategy | Asia ex-Japan

30 July 2025

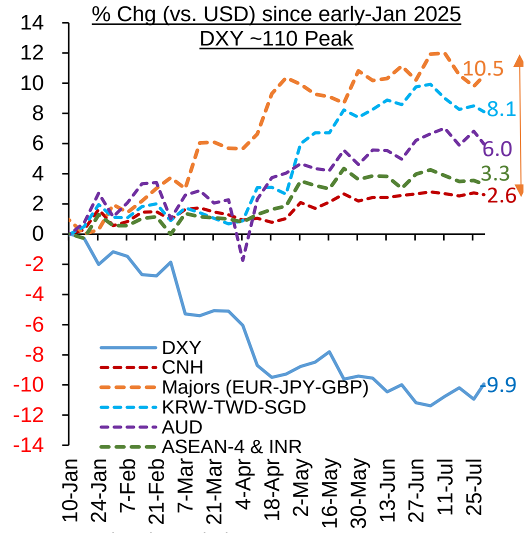
MIZUHO

"Pay to Play" AXJ Risk

FX Forecast

	Q2 25	Q3 25	Q4 25	Q1 26	Q2 26	Q3 26	Q4 26
USD/CNH	7.15-7.43	7.1-7.38	7.09-7.39	7.05-7.28	7.02-7.32	6.96-7.35	7.02-7.32
	7.16	7.21	7.23	7.14	7.11	7.08	7.12
USD/HKD	7.75-7.85	7.8-7.85	7.79-7.84	7.77-7.84	7.76-7.83	7.76-7.83	7.76-7.83
	7.85	7.83	7.81	7.79	7.80	7.81	7.79
USD/INR	83.7-86.9	84.6-87.8	84.5-87.6	84.5-87.3	84.3-86.5	83.8-86.8	83.8-86.5
	85.70	86.2	85.8	86.3	85.2	85.5	85.2
USD/KRW	1347-1488	1345-1470	1355-1480	1380-1450	1360-1440	1320-1410	1320-1410
	1353	1390	1400	1395	1385	1360	1360
USD/SGD	1.27-1.355	1.276-1.312	1.288-1.332	1.282-1.328	1.273-1.323	1.27-1.318	1.268-1.308
	1.272	1.293	1.306	1.298	1.286	1.282	1.276
USD/TWD	29-33.2	27.6-31.0	28.1-31	29.0-31.2	28.8-31.3	28.8-31.3	28.7-31.1
	29.800	29.1	30.1	30.0	29.8	29.7	29.4
USD/IDR	16155-16957	15810-16980	15920-17080	15760-16740	15360-16480	15360-16480	15360-16480
	16238	16300	16500	16250	16000	16000	16000
USD/MYR	4.18-4.51	4.06-4.37	4.12-4.41	4.02-4.31	3.92-4.19	3.93-4.18	3.93-4.18
	4.21	4.18	4.26	4.14	4.07	4.06	4.06
USD/PHP	55.1-57.6	54.5-58.9	54.4-57.9	53.5-56.9	52.8-56.0	52.8-56.1	52.8-56.1
	56.3	55.7	56.1	55.2	54.4	54.4	54.4
USD/THB	32.3-35	31.6-33.9	31.7-34.1	32.1-33.5	31.5-33.8	31.5-33.8	31.4-33.5
	32.5	32.2	33.0	32.8	32.5	32.3	32.0
USD/VND	25571-26203	25600-26900	25700-27000	25600-26900	25300-26600	25300-26600	25500-26700
	26118	26100	26200	26100	25900	26000	26100
AUD/USD	0.591-0.658	0.622-0.675	0.626-0.664	0.632-0.678	0.637-0.684	0.637-0.686	0.64-0.698
	0.658	0.655	0.638	0.658	0.668	0.675	0.688

Note: For FX forecasts, level in parentheses pertains to period end forecasts; and the period's range precedes this.



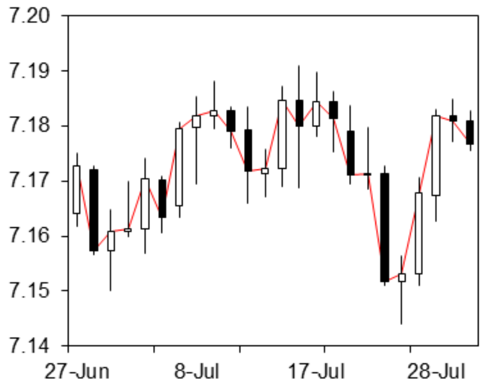
Sources: Bloomberg,Mizuho

Recap: Notable USD rebound (of ~2%) in July amid US trade deals beginning to make landfall, has coincided with broad-based pullback in the AXJ space. More importantly, it validates our warning that tariffs imposed by the US need not unequivocally disadvantage of the Greenback (just because USD sold off on "Liberation Day" tariffs). In fact, deal uncertainty appears to weigh more heavily (KRW, TWD, INR), although the late-July jump in crude has probably exaggerated AXJ slippage. In some cases, swings between domestic political upheaval and relief (THB, KRW) also induce back and forth moves. But by and large, headline risks and attendant USD moves set the overarching tone for AXJ, augmented by central bank policy (shifts).

Outlook: Increasingly, the relative US trade deal allure/burden may differentiate AXJ. Alongside tariff rates that AXJ via terms of trade effects, how extractive the wider "pay to play" US trade impositions will feature in AXJ sensitivities. This includes, but need not be limited to, requirements of US farm/energy imports, aircraft/military equipment purchases and direct capital investment commitments in the US. All of which ultimately entail fiscal/current account burden, with attendant AXJ impact. Furthermore, Asian central banks inclined to cut ahead, and in excess, of the Fed could also erode relative inflation advantage for the AXJ in the interim (given higher an stickier US inflation diminish US real rates). Hence, even with the base case for measured USD softening into 2026, AXJ gains may be more modest, and highly differentiated amid potential bumpiness.

Sources: Mizuho Estimates, CEIC, Bloomberg, National Sources

USD/CNH

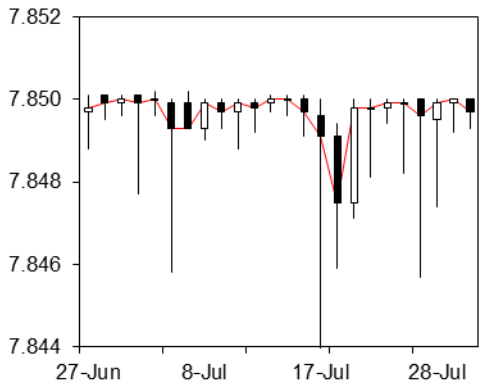


CNH Appreciation(+)/Depreciation(-)					
YTD	+2.2%	QTD	-0.3%	MTD	-0.3%

Recap: While the CNH has softened (from 7.15 tests in early-July to 7.18 in late-July), the bigger picture is one of low-beta moves that are broadly consistent with the USD trend – in this case late-July USD rebound. Notably, CNH slippage has been fractional compared to a corresponding ~2% jump in the USD and much deeper AXJ slippage.

Outlook: The big picture on the CNH is that of relative stability, not unfettered and/or overarching strength. To be sure, receding US-China tail risks alongside improving China data/economic outcomes (with household consumption weakness backstopped) ought to be consistent with some CNH buoyancy. But US antagonism checked out of Washington's self-interest is not the same as China geo-economic risks buried. So, the threat of sudden CNH pullback on US trade/strategic assaults while a "tail risk", cannot be ignored altogether. Especially given that CNH support is derived from advantageous inflation spreads, whereas nominal yield spreads favour USD. Barring worst-case, gradual and measured CNH gains is likely. But premised on a softer USD, and in the context of subdued CNH NEER.

USD/HKD

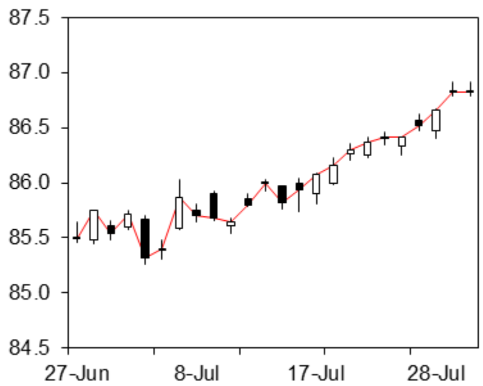


HKD Appreciation(+)/Depreciation(-)					
YTD	-1.0%	QTD	+0.0%	MTD	+0.0%

Recap: Despite several rounds of intervention by the HKMA, the HKD remains stuck at the 7.85 weak-end (7.75-7.85) peg band pressured. This is driven by compelling HKD-funded "carry trades", prompted by gaping interest rate arbitrage (3M SOFR-HIBOR spread of ~250-260bp) to exploit, which exert persistent pressures on HKD.

Outlook: The reason why HKMA's aggressive interventions have not alleviated HKD pressures is because HKMA's seemingly heavy interventions, aggregate balances in the system remain excessive – at almost twice the "norms" of ~HK$45bn. As a result, HIBOR remains exceptionally suppressed, and HKD consequently pressured by "carry trades". And so, unremitting pressures on HKD from "carry trades" need not imminently dissipate the HKMA's liquidity drainage hits a threshold at which interest rate traction kicks in. And the HKMA could be more cautious about overly aggressive intervention/liquidity drainage given the stress it would entail on the economy and banking sector. Hence, HKD may only very gradually ease back towards 7.80.

USD/INR

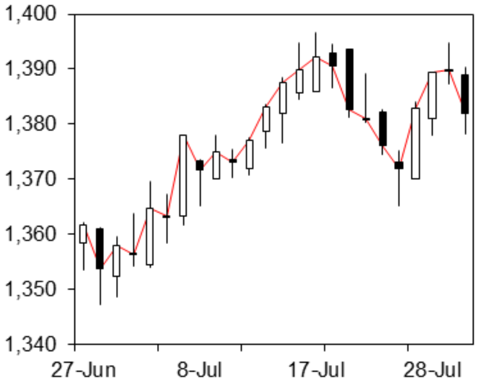


INR Appreciation(+)/Depreciation(-)					
YTD	-1.4%	QTD	-1.2%	MTD	-1.2%

Recap: Earlier (from late-June to early-July), a conspiracy of mitigating factors had instigated solid rupee gains. This was led by a sharp drop in oil prices as Iran-Israel risks subsided. In addition, there was also relative buoyancy from trade deal hopes given optimistic expectations of a favourable deal earlier in July. But since then, rupee has stumbled to post-Liberation Day lows (in the sub-87 territory).

Outlook: The risk is that rupee could remain on the back foot. For one, a more aggressively dovish RBI since, has diminished India's allure of much higher real rates. In other words, the advantage of exceptionally low inflation has been eroded. Also, the risk of a more fraught deal with the US (President Trump suggesting 20-25% tariff at the point of writing) also cast a pall. More so, if the US' threat of sanctions for importing Russian oil is carried out. Near-term 87-88 rupee slippage is a clear and present danger amid geo-economic uncertainty. Further out, our earlier call for 83-84 rupee into 2026 may be more challenged in the absence of a sharper USD correction. Overall, rupee pick-up may be more measured at sub-85. And sub-84 tests are likely to be deferred (into H2-2026), and perhaps less durably so.

USD/KRW

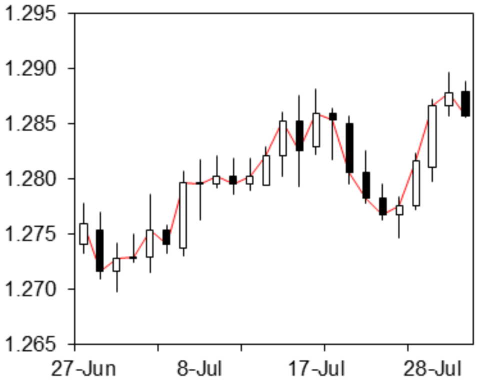


KRW Appreciation(+)/Depreciation(-)					
YTD	+6.1%	QTD	-2.1%	MTD	-2.1%

Recap: The KRW underperformed as post election optimism dissipated. BoK's decision to maintain its policy rate—widely anticipated due to financial stability concerns amid accelerating housing price growth in Seoul—provided limited support to KRW. Additionally, the passage of a second supplementary budget exerted some downward pressure on the KRW, with long-end government bonds selling off in response to increased fiscal issuance. Reflecting its high beta nature, KRW moves were largely in line with UST yields.

Outlook: Domestic economic momentum remains tepid, with weak consumption and investment indicators suggesting limited KRW upside. Sector-specific and reciprocal tariffs continue to pose risks to Korea's export outlook, particularly in semiconductors, where tailwinds have proven insufficient to offset broader trade-related drag. KRW buoyancy above the 1360 level to be sustained, reflecting persistent macro and policy-related headwinds. On a relative basis, KRW performance is likely to revert to the lower-middle of the EM FX pack, with limited catalysts for outperformance in the absence of a material improvement in trade dynamics or a shift in fiscal trajectory. FX featuring in trade talks engender KRW upside volatility.

USD/SGD

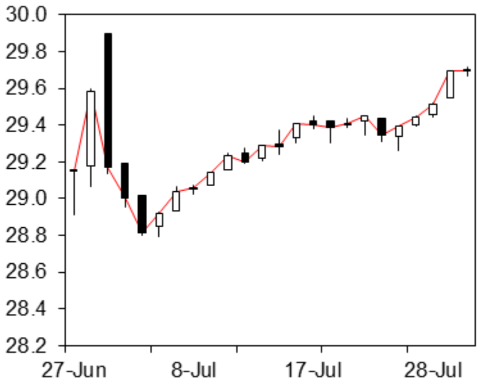


SGD Appreciation(+)/Depreciation(-)					
YTD	+5.9%	QTD	-1.1%	MTD	-1.1%

Recap: SGD depreciated with the USD/SGD pull higher by UST yields. The SGD underperformed regional peers such as MYR and IDR as there is lesser relative optimism given that Singapore already enjoys a 10% baseline tariff. Q2 growth outperformed on the back of stronger services sector performance but the underlying manufacturing sector weakness and trade implications from the higher tariff baselines ought to worry SGD bulls. The MAS hold at their July meeting allowed for marginal SGD gains which signalled that dovish bets may have been misplaced.

Outlook: Looking ahead, SGD appreciation room against the USD needs to avail by rallies in the majors such as the EUR given that the S$NEER remains in a rich position within the upper half of the band. While the MAS kept their policy stance unchanged by maintaining the S$NEER slope, they remain vigilant to possibility of downside risk to growth which would open the door for easing to a flat slope, though easing is not a given and would be more data dependent.

USD/TWD

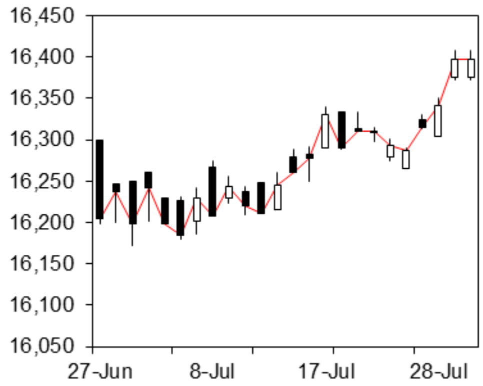


TWD Appreciation(+)/Depreciation(-)					
YTD	+9.4%	QTD	-0.4%	MTD	-0.4%

Recap: The MTD performance is statistically deceiving as plausible CBC intervention at the end of June caused TWD depreciation which provide the illusion of relatively mild depreciation in July. The end June intervention was speculated to be on account of providing better financial quarterly reporting after the sharp gains in May. On the whole, TWD is slightly weaker for the month moving sideways and crawling above mid-29 levels.

Outlook: While opportunistic USD hedges among exporters and insurers may restrain TWD rallies, earlier pains from the TWD appreciation may give way to structural conditions of searching for higher yields beyond the domestic market especially as risk sentiments in the US improves. While diversification is now a key theme, EUR assets are not a perfect substitue given growth woes stemming from asymmetric trade deals. Furthermore, should Taiwan strike a deal with the US in the coming days, attempts for speculating further TWD appreciation may unwind and provide further support for TWD bears.

USD/IDR

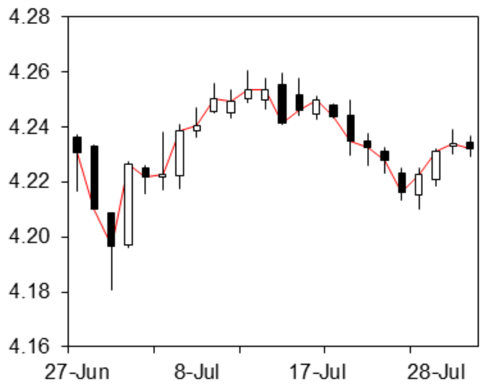


IDR Appreciation(+)/Depreciation(-)					
YTD	-1.8%	QTD	-1.0%	MTD	-1.0%

Recap: The IDR broadly moved in-line with regional currencies, although rallies have been rather weak. Despite reciprocal tariff levels being reduced from 32% to 19% (now primed to be one of the lowest in the region), risks are still tilted to current account returning to a wider deficit sooner given pledges to buy more US energy and agricultural commodities. In addition, FinMIn Indrawati had revised fiscal deficit estimate for 2025 higher to 2.78% (from 2.53% of GDP), noting that tax revenue are unlikely to meet the 2025 target.

Outlook: Risks are still tilted to a weak IDR, given that external trade environment looks to exacerbate double deficit woes. Domestic growth woes (with reports of mass layoffs and need for job subsidies) risks more government outlays to support households. In addition, reports that 30 of the 55 deputy ministers in Prabowo's bloated cabinet are now serving as commissioners in some of the country's largest SOEs and their subsidiaries could exacerbate equity outflows and depress investments. FDI (excluding investment in financial and oil and gas sectors) into Indonesia has shrank ~7% in Q2'25, th biggest such drop in five years. While the investment ministry has attributed the decline to rising geopolitical tensions, wavering confidence on economic outlook could play a part too. Nonetheless, even as Bank Indonesia's easing bias remains, BI's interventions could backstop excessive IDR weakness.

USD/MYR

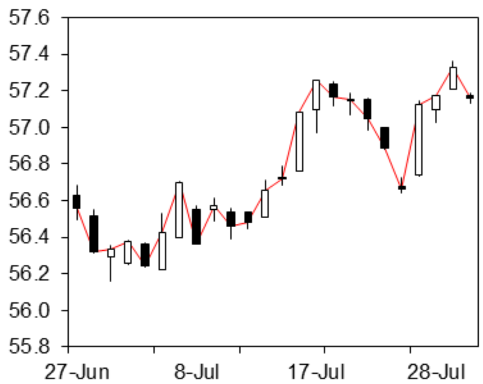


MYR Appreciation(+)/Depreciation(-)					
YTD	+5.4%	QTD	-0.5%	MTD	-0.5%

Recap: The MYR middle-in-the-pack performance in July underscores tussles between external risks and BNM's steady hands. On the one hand, Trump's letter revised the reciprocal tariffs on Malaysia goods higher to 25% (from 24% on "Liberation Day"). On the other hand, BNM is expected to hold rates steady after a pre-emptive cut to steady Malaysia's GDP growth prospects. Moreover, while Q2 GDP print surprised on the upside, manufacturing sector growth moderated. BNM had also lowered 2025's growth forecast from 4.5-5.5% to 4.0-4.8%.

Outlook: While still subject to trade headwinds, a prolonged pause (amid resilient domestic growth) by BNM ought to backstop excessive weakness for the ringgit. There are also some tailrisks from political spillovers (e.g. resignation of Economy Minister Rafizi and controversy around judicial appointments), although these risks are modest for the time being.

USD/PHP



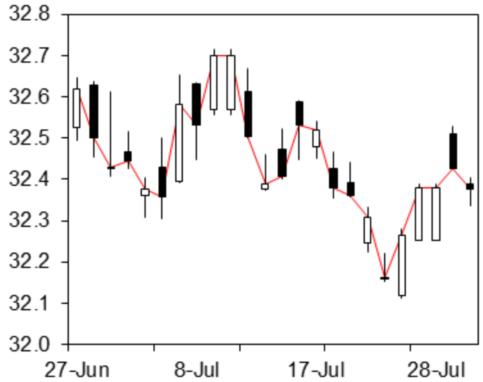
PHP Appreciation(+)/Depreciation(-)					
YTD	+1.2%	QTD	-1.5%	MTD	-1.5%

Recap: While softer Oil prices in July (relative to June provide some support), PHP's has been sluggish given that it still has one of the highest negative tariff delta among EM Asia economies even after US and Philippines reached a trade deal. Philippines reciprocal tariff is now set at 19%, which is up 2ppt from the 17% announced on "Liberation Day" and one of the lowest in the region. In comparison, Indonesia's tariff was lowered from 32% to 19% and Vietnam's from 46% to 20%.

Outlook: Unlikely to see relative outperformance on heightened US tariff antagonosim (which was seen post-"Liberation Day") given diminished relative tariffs advantage. Instead, BSP's easing bias amid elevated real rates could lend to weaker rallies. GDP could also affirm domestic growth weakness. We expect another cut by BSP at the August meeting.

Sources: Mizuho Estimates, CEIC, Bloomberg, National Sources

USD/THB

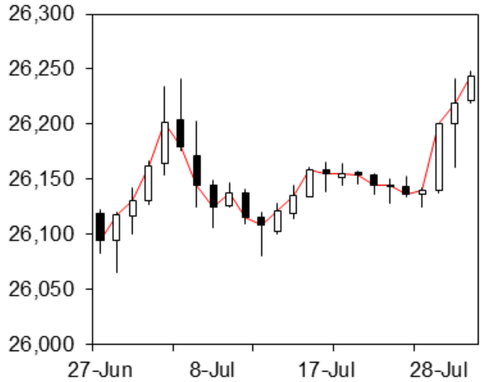


THB Appreciation(+)/Depreciation(-)					
YTD	+5.0%	QTD	+0.4%	MTD	+0.4%

Recap: Despite political turmoil, the THB's sideway crawl has enabled it to outperform regional peers in July. Aside from the robust gold prices in July, seasonal effects from likely higher tourist arrivals in July from the lull in June may have leaned against headwinds ranging from tariffs threats and PM Paetongtarn's suspension from Prime Minister office after the leaked call scandal. Thailand-Cambodia conflict in reduce some gains in late July but did not overturn the outperformance.

Outlook: THB's volatilte trajectory to persist and broad buoyancy above 32.0 levels projected for the month ahead as political uncertainty around the ethics case for PM Paetongtarn is likely to drag on. Nonetheles, cautious sub-32 test may be on the cards should gold prices continue to ascend. Meanwhile, weak growth will imply that the BoT is likely to ease and THB bulls may have little to lean on from the rates front. That said, August tourist arrivals are likely to remain strong to support the THB. Optimism around a trade deal may be limited given that there may be little differentiation relative to regional peers.

USD/VND

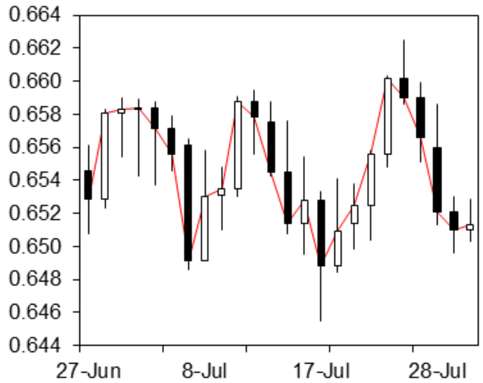


VND Appreciation(+)/Depreciation(-)					
YTD	-3.0%	QTD	-0.5%	MTD	-0.5%

Recap: Amid the USD recovery, the VND managed to only suffer a mild slippage for the month in a relative outperformance among EM-Asia peers as Q2 GDP at 8.0% YoY exceeded expectations on the back of strong manufacturing sector performance and supposed US-Vietnam trade deal imply a relatively better position in ASEAN aside from Singapore. Foreign inflows in July which aided outperforming equities likely also backstopped the VND. Marginal differences between ASEAN countries also imply that relative China+1 edge is not fully eroded.

Outlook: With FX reserves import coverage ratio remaining precariously lower at 2.5 months of imports, depreciation prospects remain on the table especially amid willingness of the authorities to accommodate via a weaker fixing. Furthermore, without official confirmation by the authorities on both sides regarding the US-Vietnam deal, tariff related risk will persist. USD/VND expected to retain buoyancy above 26,000 levels for the months ahead.

AUD/USD



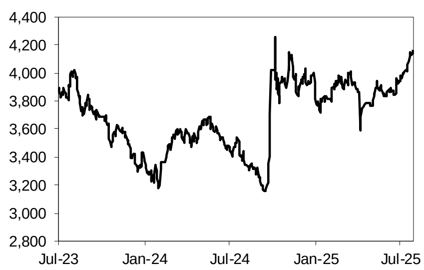
AUD Appreciation(+)/Depreciation(-)					
YTD	-5.3%	QTD	+1.0%	MTD	+1.0%

Recap: AUD outperformed on the back of RBA's surprise rate hold. Consequently, slippages against the Greenback were mild. July's economic data reinforced the RBA's stance that the direction of travel is still towards easing, with May exports contracting by 2.7% MoM and retail sales rising a modest 0.2% MoM—below consensus forecasts—highlighting subdued domestic demand. Subsequently, a weak jobs report showing just 2k of employment gains and unemployment rate jumping higher to 4.3% saw AUD slipped towards 65 cents and Q2 CPI print affirms upcoming RBA easing.

Outlook: Expectations of calibrated easing by the RBA to aid relative robustness of the AUD. Some slippage is expected as UST yields appear to re-assert but buoyancy around both sides of 65 cents to be sustained, barring sharp disappointment in China's economic data and further tensions in US-China trade talks. The recent recovery in iron ore prices offers a potential backstop for the AUD. However, upside may be capped as China's property sector continues to underperform and broader industrial overcapacity issues weigh on sentiment. As such, sub-65 cent may occur more often than not in the month ahead.

Annex A - Equities

China



SHSZ300 Index					
YTD	+5.6%	QTD	+5.5%	MTD	+5.5%

Hong Kong

Hang Seng Index					
YTD	+26.4%	QTD	+5.4%	MTD	+5.4%

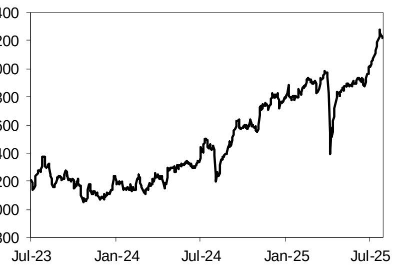
India

Sensex Index					
YTD	+4.1%	QTD	-2.7%	MTD	-2.7%

South Korea

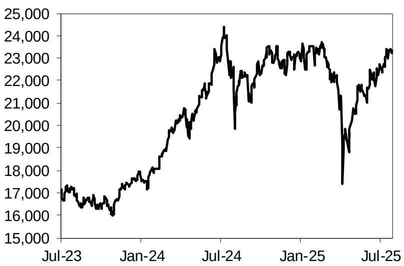
KOSPI Index					
YTD	+35.5%	QTD	+5.8%	MTD	+5.8%

Singapore



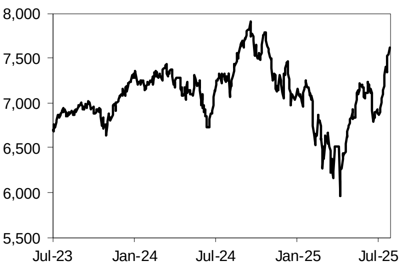
STI Index					
YTD	+11.4%	QTD	+6.4%	MTD	+6.4%

Taiwan



TWSE Index					
YTD	+1.0%	QTD	+4.5%	MTD	+4.5%

Indonesia

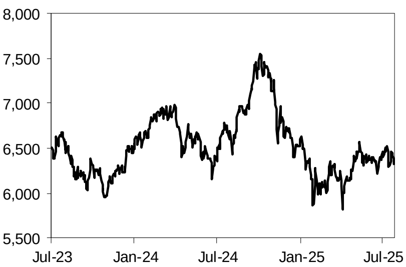


JCI Index					
YTD	+7.6%	QTD	+10.0%	MTD	+10.0%

Malaysia

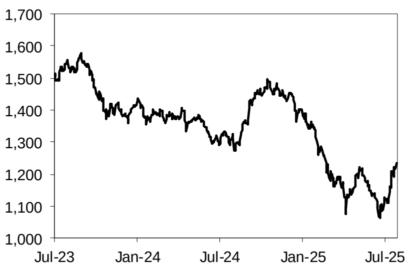
FBKLCI Index					
YTD	-7.4%	QTD	-0.8%	MTD	-0.8%

Philippines



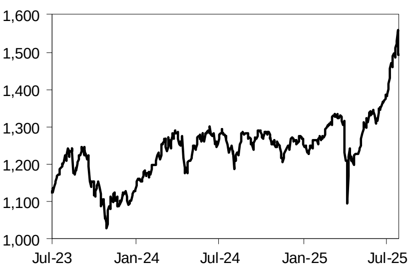
PCOMP Index					
YTD	-3.2%	QTD	-0.7%	MTD	-0.7%

Thailand



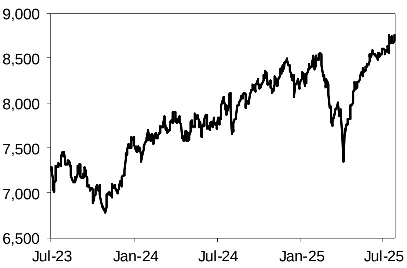
SET Index					
YTD	-11.9%	QTD	+13.2%	MTD	+13.2%

Vietnam



VNINDEX Index					
YTD	+17.9%	QTD	+8.5%	MTD	+8.5%

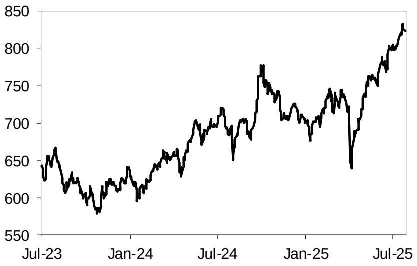
Australia



AS51 Index					
YTD	+7.2%	QTD	+2.4%	MTD	+2.4%

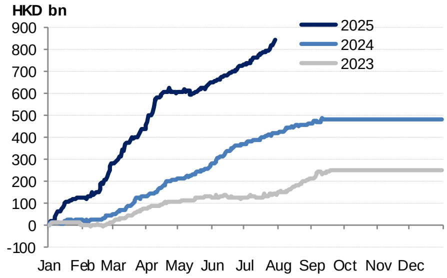
Sources: Mizuho Estimates, CEIC, Bloomberg, National Sources

MSCI Asia ex-Japan

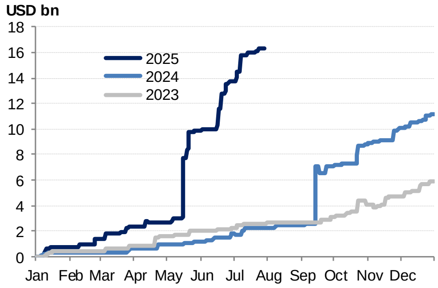


MXASJ Index					
YTD	+16.9%	QTD	+3.3%	MTD	+3.3%

Stock Connect (SH+SZ) net Inflow to HK



IPO Syndicated in HK



Annex B - Forecasts

Central Bank Policy Rate Outlook

Country	Central Bank	Q2 25	Q3 25	Q4 25	Q1 26	Q2 26	Q3 26	Q4 26
China	PBoC	1.40%	1.30%	1.10%	0.90%	0.70%	0.70%	0.70%
India	RBI	5.50%	5.25%	5.00%	5.00%	5.00%	5.00%	5.00%
Korea	BoK	2.50%	2.25%	2.00%	1.75%	1.75%	1.75%	1.75%
Singapore	MAS*	M: Hold	M: Hold	M: Hold	M: Hold	M: Hold	M: Hold	M: Hold
		S: 1.0%	S: 1.0%	S: 1.0%	S: 1.0%	S: 0.0%	S: 0.0%	S: 0.0%
		W: Hold	W: Hold	W: Hold	W: Hold	W: Hold	W: Hold	W: Hold
Taiwan	CBC	2.000%	2.000%	1.875%	1.750%	1.625%	1.500%	1.500%
Indonesia	BI	5.50%	5.25%	4.75%	4.50%	4.25%	4.25%	4.25%
Malaysia	BNM	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%
Philippines	BSP	5.75%	5.25%	5.00%	4.75%	4.50%	4.50%	4.50%
Thailand	BoT	1.75%	1.50%	1.25%	1.25%	1.25%	1.25%	1.25%
Vietnam	SBV	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
Australia	RBA	3.85%	3.60%	3.35%	3.10%	3.10%	3.10%	3.10%

*The MAS conducts monetary policy via FX. Specifically, it adopts a trade-weighted SGD appreciation at "modest and gradual" pace (estimated at 2% per annum as default.

S: Slope (express as per annum % appreciation), M: Mid Point, W: Width of S$NEER

GDP Forecast (%)

	Q2 25	Q3 25	Q4 25	Q1 26	Q2 26	Q3 26	Q4 26	2024	2025	2026
China	5.2	4.8	4.0	4.4	4.5	4.7	4.9	5.0	4.8	4.6
Hong Kong	3.2	3.6	2.9	1.6	1.6	1.7	2.0	2.5	3.2	1.7
India	6.7	6.6	6.4	6.1	6.1	6.4	6.6	6.7	6.8	6.3
Korea	0.5	0.5	0.6	1.1	1.1	1.0	1.2	2.0	0.4	1.1
Singapore	4.3	1.7	1.6	2.5	1.6	1.7	1.8	4.4	2.9	1.9
Taiwan	5.4	4.6	3.1	1.9	1.8	2.4	3.0	4.8	4.6	2.3
Indonesia	4.8	4.7	4.7	4.7	4.8	5.0	5.1	5.0	4.8	4.9
Malaysia	4.5 (A)	4.2	3.7	4.8	4.2	4.3	4.1	5.1	4.2	4.4
Philippines	5.6	5.2	5.1	5.2	5.3	5.6	5.5	5.7	5.3	5.4
Thailand	3.1	2.3	2.4	2.4	2.3	2.4	2.5	2.5	2.7	2.4
Vietnam	8.0	7.3	6.5	6.6	6.7	6.8	6.5	7.1	7.3	6.7
Australia	1.3	1.2	1.0	1.2	1.2	1.4	1.4	1.1	1.2	1.3

Inflation (%)

	Q2 25	Q3 25	Q4 25	Q1 26	Q2 26	Q3 26	Q4 26	2024	2025	2026
China	0.0	-0.2	0.4	0.3	0.3	0.2	0.2	0.2	0.0	0.3
Hong Kong	1.8	0.8	1.2	1.3	2.0	1.9	1.8	1.8	1.4	1.8
India	2.7	2.1	3.1	5.0	6.0	5.7	5.3	4.9	2.9	5.5
Korea	2.1	2.0	2.2	1.9	2.2	2.0	1.9	2.3	2.1	2.0
Singapore	0.8	1.3	1.7	1.6	1.7	1.6	1.7	2.4	1.2	1.7
Taiwan	1.7	1.3	1.4	1.7	1.6	1.5	1.6	2.2	1.7	1.6
Indonesia	1.8	2.2	2.2	2.7	2.0	1.9	1.8	2.3	1.5	2.0
Malaysia	1.4	1.9	2.3	1.9	1.9	1.7	1.8	1.9	1.9	1.8
Philippines	1.4	1.3	1.7	2.2	2.8	2.5	2.1	3.2	1.6	2.4
Thailand	-0.4	-0.3	0.2	0.6	1.1	1.1	1.2	0.4	0.2	1.0
Vietnam	3.3	3.4	3.6	3.3	3.2	3.4	3.5	3.6	3.4	3.4
Australia	2.1	2.3	2.7	2.6	2.2	2.4	2.4	3.2	2.4	2.4

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