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# Mizuho Dealer's Eye

April 2025




Mizuho Bank, Ltd.

Global Foreign Exchange Department

Junya Tagawa, Global FI Team, Global Foreign Exchange Department

# U.S. Dollar – April 2025

**Expected Ranges** **Against the yen: JPY146.00–151.50**

## Outlook for This Month

[The dollar/yen pair is expected to move with a lack of direction in April]

Investors have taken note that speculative yen long positions have risen to historical highs. This accumulation is probably due to anticipation that the Bank of Japan (BOJ) will lift interest rates at a higher pace than expected. However, stock markets are moving bearishly right now, with risk aversion sweeping the globe, so it seems unlikely that the BOJ will bring forward rate hikes to May. When Japanese stocks fall sharply, it seems the BOJ will face more hidden pressure to delay rather than accelerate rate hikes. If expectations for BOJ rate hikes do not rise further, the dollar/yen pair is unlikely to undergo a yen-driven slide given the lack of any other yen-buying factors.

On the other hand, US economic sentiments are worsening and this is rippling across into stock markets. However, the hard data is actually quite mixed and it seems the economy has not deteriorated as much as these bearish sentiments suggest. If this is the case, there will be a dearth of factors justifying faster US rate cuts, with this a further reason why the dollar is unlikely to be swayed by monetary policy.

It is hard to discern any trends when it comes to the fundamentals, with the currency pair likely to be moved by Trump tariffs and headlines related to Russia. As mentioned above, yen long positions have piled up high, so investors should be on guard against any reversal to this trend.

The dollar/yen pair will jostle up and down on the whole, with any one-sided trends unlikely to emerge.

## Dealers' Market Forecast

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

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| Bullish on the dollar | 12 bulls | 152.75 – 147.00 | Bearish on the dollar | 4 bears | 151.50 – 144.50 |

* Ranges are central values

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| Miyachi | Bull | 154.50 – 146.50 | There are concerns about BOJ rate hikes and US stagflation, but overseas speculators and others have accumulated yen long positions, while Japanese firms and individuals continue to sell the yen, so the dollar/yen pair's downside will remain firm. |
| Kawai | Bull | 151.00 – 146.00 | Investors should focus on US tariff hikes on automobiles and on the response of other countries. If stocks continue to face adjustment on risk aversion, the dollar/yen pair will remain on a downward trajectory. However, US interest rates have little room to fall given the revival of inflation, so the pair's downside will also be capped. |
| Kawabata | Bear | 152.50 – 145.00 | There is growing uncertainty about whether US tariff policies will lead to a trade war as the EU retaliates. Expectations for early BOJ rate hikes have waned, but if stocks face adjustment on concerns that the US economy itself is slowing, the dollar/yen pair's revival will be held back as US interest rates slide on risk aversion. |
| Kato | Bear | 151.00 – 143.00 | Clouds are starting to gather above the US economy. Though not so apparent when it comes to employment, the situation is clearly worsening on the economic front, with things set to deteriorate further on President Trump's tariff war. Last month's adjustment was smaller than expected, but investors will probably start testing the dollar/yen pair's downside again. |
| Yamazaki | Bear | 151.00 – 144.00 | The dollar/yen pair will continue to be swayed by headlines about further US tariffs. However, the pair looks set to swing lower as Japanese/US interest-rate differentials shrink going forward. Investors should be on guard against an accumulation of yen long positions. |
| Yamaguchi | Bull | 152.50 – 147.50 | There are a number of uncertainties, including the impact of Trump tariffs and bearish US economic indicators, but the impact of these has already been factored in to the dollar/yen pair's movements. The greenback will gradually be bought back provided the US does not face any pressing need to lower rates in the short term. |
| Tagawa | Bull | 151.50 – 146.00 | There have been no changes when it comes to market moves to price in US and Japanese monetary policy. The dollar/yen pair will be swayed by headlines about tariffs and Russia, but new trends are unlikely to emerge. |
| Matsunaga | Bull | 154.00 – 147.50 | Economic sentiments are worsening in the US, but the hard data suggests the economy is still moving firmly. If uncertainty about tariffs clears, funds that flooded to risk assets will probably return, with the dollar/yen pair set to steadily recover. |
| Katoono | Bull | 155.00 – 147.00 | Though tariff uncertainty lingers, US inflation remains high, so US interest rates and the dollar will probably recover as the FRB takes a tougher stance. At the same time, the BOJ seems to have slipped further into wait-and-see mode, with investors likely to unwind their yen long positions. |
| Okuma | Bull | 154.00 – 147.00 | Amid concerns about high inflation in the US, the dollar will probably face deteriorating sentiments. Nonetheless, stocks will probably fall on the Trump administration's tariff policies, with the BOJ also unlikely to hike rates, so the dollar/yen pair looks set to trade firmly with a heavy topside. |
| Ito (Motoi) | Bull | 155.00 – 147.00 | The dollar/yen pair will continue trading with a heavy topside for a while on uncertainty about Trump tariffs, but the FRB is unlikely to intensify its dovish stance any time soon, so the pair will undergo a gentle climb. |

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| Han | Bear | 152.00 – 146.00 | There are concerns that consumer sentiments will worsen in the US on Trump tariffs, with this likely to manifest itself in the hard data going forward. Funds will also continue flowing into risk assets on uncertainty about the direction of the global economy. |
| Suzuki | Bull | 152.00 – 147.00 | The dollar/yen pair will be swayed by concerns about current tariff policies and fears about stagflation. After a pause, investors will reassess the FRB’s cautious stance toward rate cuts and the direction of Japanese/US interest-rate differentials, with the currency pair set to move firmly. |
| Nishi | Bull | 153.00 – 147.00 | The dollar/yen pair will continue to move bearishly on uncertainty about Trump tariffs and concerns about US stagflation. After a while, though, the pair will bounce back on a dearth of new factors. The pair will also rally as speculators unwind their yen long positions. |
| Harada | Bull | 152.00 – 147.00 | There are several uncertainties, including concerns about a US economic slowdown and the start of a trade war as countries respond to US tariff policies, but the FRB is unlikely to shift policy. Given this US economic uncertainty, it seems likely that the BOJ will adopt a wait-and-see mode without accelerating the pace of rate hikes. |
| Matsuki | Bull | 152.00 – 146.00 | There is uncertainty about the Trump tariffs set to activate on April 2, with the dollar/yen pair’s topside also likely to be held down by concerns about stagflation. If the tariff situation clears up and the US releases some bullish hard data, the pair will probably rise as investors adjust their yen long positions. |

Norio Kawabata, Global FI Team, Global Foreign Exchange Department

# Euro – April 2025

**Expected Ranges** **Against the US$: US$1.0600–1.1100**
**Against the yen: JPY158.00–165.00**

## Outlook for This Month

The euro/dollar pair will continue to move firmly in April on expectations that European interest rates will remain high as the ECB takes a breather from cutting rates. When it met in March, the ECB lowered rates for the fifth meeting in a row. The accompanying statement said that "our monetary policy is becoming meaningfully less restrictive," with ECB president Christine Lagarde also reiterating the same point, with investors then focusing on the possibility that the ECB would reach a terminal rate after this latest rate cut. An ECB board member made waves by expressing caution about the buoyant effect on the entire EU economy of German infrastructure investment and EU rearmament. Furthermore, it seems that only a few dovish board members are clearly supporting a rate cut at the April meeting. As such, it seems the ECB Governing Council will pause rate cuts when it meets this month. However, there is likely to be some ongoing policy risks from both the EU and US. Inflation might be reined in by the bullish euro, for example. There are also concerns about a potential US/EU trade war on Trump tariffs and EU retaliatory tariffs, with this likely to have a negative impact on the European economy. The outlook for the European economy and inflation is also growing more uncertain as energy prices are impacted by Ukraine ceasefire talks. When the eurozone's preliminary March PMI data was released late March, it revealed that manufacturing was recovering from an earlier slump. As this suggests, market momentum could shift depending on the data, so investors should continue monitoring the response to headlines and economic indicators. The euro/dollar pair rose from $1.04 to $1.09 as European interest rates rose sharply on the aforementioned EU infrastructure investment and German fiscal expansion. There was some adjustment thereafter, but this was relatively muted. Investors are now focusing on the timeframe of the stimulus measures behind rising interest rates. There is also uncertainty about risk assets on US tariffs, while the dollar could be sold on the US economic slowdown. As such, the euro/dollar pair look set to continue trading firmly this month.

## Dealers' Market Forecast

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

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| Bullish on the euro | 3 bulls | 1.1100 – 1.0600 | Bearish on the euro | 13 bears | 1.0950 – 1.0550 |

* Ranges are central values

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| Miyachi | Bear | 1.1050 – 1.0500 | Euro unwinding has taken a breather on news that Germany will relax its fiscal straitjacket. The Russia/Ukraine situation is also likely to have a positive impact on European economic sentiments in the long run, but current US/European interest-rate differentials suggest the euro/dollar pair's room on the topside will be capped. |
| Kawai | Bear | 1.0950 – 1.0600 | There are concerns about a US economic slowdown and US tariff policies. There are also expectations for an increase in fiscal spending within the eurozone and for a pause in ECB rate cuts. The euro/dollar pair has trended lower on the gap between economic sentiments and monetary policy in the US and Europe, but things may be approaching a turning point given the points above. However, in the short term the currency pair will probably move flatly with a lack of direction. |
| Kawabata | Bull | 1.1100 – 1.0600 | Investors will be monitoring the impact on EU and German fiscal expansion on the eurozone economy. There have been no changes when it comes to indicators and headlines, but PMIs and other economic indicators are showing signs of improvements. With the greenback also being sold on a US economic slowdown, the euro/dollar pair is likely to remain firm. |
| Kato | Bear | 1.1000 – 1.0500 | Germany has shifted in the direction of fiscal expansion, but the main driver behind euro bullishness will be concerns about a US economic slowdown on the Trump administration's tariff policies, so there will probably be some adjustment. However, the euro/dollar pair now seems far off breaking parity. |
| Yamazaki | Bull | 1.1100 – 1.0700 | Investors should monitor headlines about US tariffs. With reaction to US tariffs growing stronger and the US economy slowing, the euro/dollar pair will probably undergo a gentle climb. |
| Yamaguchi | Bear | 1.0950 – 1.0650 | Though Germany's parliament approved a fiscal package, there remains uncertainty about EU/US trade discussions and Ukraine ceasefire talks. Eurozone economic indicators also remain weak, with the euro/dollar pair set to trade with a heavy topside. |
| Tagawa | Bull | 1.1100 – 1.0600 | Investors will need to monitor whether the euro will rebound on German fiscal policies. If attention falls on interest-rate differentials, market participants will find it hard to chase the euro's topside further, but the dollar will also be prone to selling, so caution will be needed. If the Russian-related situation improves, the euro/dollar pair might rise higher. |
| Matsunaga | Bear | 1.0900 – 1.0450 | Funds have flown into laggardly European stocks, with the euro also bought on expectations for German fiscal expansion. However, the fundamentals suggest there is a shortage of factors prompting more euro buying. If US/EU tariff negotiations kick off in earnest, the euro/dollar pair will gradually edge lower. |
| Katoono | Bear | 1.0900 – 1.0550 | One bright factor for the euro has been Germany's large-scale fiscal expansion, but there remains uncertainty about the Ukraine ceasefire and there is also a renewed risk of an economic slowdown on tariffs, so the euro/dollar pair will probably trade with a heavy topside. |
| Okuma | Bear | 1.1000 – 1.0600 | The environment remains conducive to risk aversion on uncertainty about the direction of Trump tariffs. Hopes are also fading with regards to the Ukraine ceasefire, so although the European economy is showing signs of improvement, the euro/dollar pair's rise will be capped. |
| Ito (Motoi) | Bear | 1.1000 – 1.0500 | The markets are pricing in the positive impact of German fiscal expansion to a large extent, but the euro/dollar pair will trade with a heavy topside and will find it hard to rise further. There are also a lot of negative factors, including the Ukraine situation and Trump tariffs, so the pair will probably see more selling. |

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| Han | Bear | 1.0900 – 1.0400 | There remains uncertainty about the direction of the European economy on the impact of Trump tariffs and the unending talks about a Russia/Ukraine ceasefire. The fundamentals also suggest investors will find it hard to actively buy the euro. |
| Suzuki | Bear | 1.0900 – 1.0500 | The euro has been bought on anticipation for fiscal policies, but this trend is now easing off. There are concerns about an economic slowdown on President Trump's tariff policies. There is also a monetary policy divergence between the EU and the US, with the latter continuing to take a cautious stance towards rate cuts. As such, the euro/dollar pair is expected to trade bearishly this month. |
| Nishi | Bear | 1.1000 – 1.0600 | The euro has risen on German fiscal expansion, but this trend is easing off. Some ECB members have suggested the ECB will adjust the pace of rate cuts going forward, with this likely to support the euro. However, the euro/dollar pair will be weighed down by a host of negative factors, including Trump tariffs and the Russia/Ukraine situation. |
| Harada | Bear | 1.0900 – 1.0600 | Some positive factors have emerged for the eurozone, including German fiscal expansion, but there are also concerns about a eurozone economic slowdown on the Trump administration's tariff policies, so the euro/dollar pair will trade with a heavy topside. |
| Matsuki | Bear | 1.1000 – 1.0600 | The euro has been bought on increased defense spending by Germany and other eurozone nations, but it is hard to imagine the euro/dollar pair rising further from here on. A lot will depend on uncertainty about Trump tariffs and the direction of US economic indicators, but if the current trend of dollar selling undergoes some adjustment, the currency pair will probably trade with a heavy topside. |

Motoki Amanuma, Europe Treasury Department

# British Pound – April 2025

**Expected Ranges** **Against the US$: US$1.2700–1.3200**
**Against the yen: JPY189.00–199.00**

## 1. Review of the Previous Month

The GBP/USD pair rose in the first half of March after Germany relaxed its fiscal rules, though it moved with a heavy topside late March on US tariffs. Expectations for expanded military demand in Europe grew over the opening weekend following discussions about Ukraine. European stocks and the euro both rose, with the pound also pulled higher on March 3. The following week, Germany announced it would be relaxing its fiscal rules to pay for more defense spending. German government bonds were sold and interest rates soared, with the euro and sterling also pulled higher by the cross yen. As European currencies strengthened, the ECB implemented a -25bp rate cut on March 6, as expected, but ECB president Christine Lagarde's comments were read as somewhat hawkish, so the euro and pound continued rising. This trend was then unwound after Germany's Green Party said it would not support the fiscal plan, but it expressed willingness to negotiate, with the plan then moving towards approval, so the euro and pound edged higher for a time. On March 19, the FOMC announced it would slow its runoff process. This seemed to signal an effective end to quantitative tightening, with the greenback sold as a result. As the markets moved to factor in the easing of German fiscal regulations, an optimistic mood grew that US tariffs would not be as tough as feared. As caution eased, US stocks rallied and the dollar was bought back. It seemed this unwinding would continue, but any one-sided movement was reined in by lingering uncertainty, so the GBP/USD pair did not fall back sharply and it remained at highs.

## 2. Outlook for This Month

In April, the GBP/USD pair's movements will be shaped by the dollar as investors anticipate an easing of uncertainty related to US tariffs. US long-term interest rates declined on flattener positioning. This came on the back of stagflation concerns as investors priced in worse-case scenarios, with the greenback also sold on falling interest rates. This trend was then unwound to a certain extent on growing optimism about US tariffs, with a direction for the pair now likely to be formed by April 2 depending on the contents of news reports. The US actually has a trade surplus with the UK, so the UK seems to face less direct risk from tariffs compared to other regions. The UK will probably face some indirect economic effects, but there is enough reason to believe the pound will also be swayed by euro trends, as seen when the pound was bought on euro buying when investors focused on the easing of fiscal rules in Germany. If President Trump uses tariffs as a negotiating tool when conducting diplomacy, it would only be natural for him to announce tough measures off the bat. If this happens, the pound will probably rise as the dollar is sold when the markets move again to price in a US economic slowdown. Another possibility is that the US implements tough tariffs but exempts the UK on the grounds of its trade deficit with the US. In this scenario, the pound will probably be bought to a limited extent as a refuge currency as investors flee the euro. The markets have assimilated the news about Germany easing its fiscal rules, with investors now likely to focus on the concrete timing of any moves, for example. If anything, this will be a factoring prompting some "selling on the news." In this sense, it seems the underlying tone will be one of dollar buying. As such, if US tariffs end up in a soft landing, as end-of-March reports suggested, then this will probably translate directly into dollar bullishness.

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

# Australian Dollar – April 2025

**Expected Ranges** **Against the US$: US$0.6100–0.6400**
**Against the yen: JPY92.00–97.00**

## 1. Review of the Previous Month

The AUD/USD pair hovered around $0.63 in March.

The pair fell to $0.6187 early March as risk aversion prevailed after the US slapped tariffs on China, Canada and Mexico. The US then decided to postpone some tariffs, but concerns about the negative impact on the US economy led to rising expectations for US rate cuts, with the currency pair then climbing. The euro then strengthened on reports that Germany would announce some large-scale fiscal reforms. The greenback subsequently moved heavily and this supported the AUD/USD pair's downside.

Mid-March saw concerns about a US economic slowdown increasing on Trump tariffs and the mass layoff of federal government employees. As risk aversion prevailed, the currency pair moved with a heavy topside at just below $0.63. The US dollar was then sold and the pair rose when the US February CPI data recorded its lowest rise in four months. Risk appetite grew when the US February retail sales data turned out to be not as bad as expected, with the pair bolstered to rise to a monthly high of $0.6391.

The pair fell late March on the unexpectedly weak results of Australia's February employment data. It also moved with a heavy topside as risk sentiments deteriorated on Trump tariffs, with the pair floating around $0.63 at the month's end.

## 2. Outlook for This Month

The AUS/USD pair is expected to move with a heavy topside in April.

At 2.4% y-o-y, Australia's February CPI figure (monthly) was down on the 2.5% forecast. Electricity bills fell, with rents and new homes prices also slowing. Investors will be watching the April 30 release of Australia's Q1 CPI data to gauge the timing of the next RBA rate cut. Australia's federal budget (released at the end of March) contained new income tax cuts and moves to lower the cost of living, with this likely to lead to a fiscal deficit. Some observers believe several measures will lead to inflation, so it still seems premature for Australian to declare the fight against inflation over. Futures markets have fully priced in one rate cut by July this year. The RBA board will probably leave policy fixed when it meets on April 1.

The Trump administration will be announcing some "reciprocal tariffs" on April 2. The currency pair will be swayed around this time by news about individual negotiations or exempted goods. As uncertainty rises, the AUD/USD pair's topside will grow heavier for a time.

Yasuko Iwata, Canada Markets Office, Americas Markets Department

# Canadian Dollar – April 2025

**Expected Ranges** **Against the US$: C$1.4100–1.4600**
**Against the yen: JPY102.00–108.00**

## 1. Review of the Previous Month

On March 4, the US government slapped a 25% tariff on imports from Canada and Mexico (and a 10% tariff on Canadian energy imports) after a one-month postponement. On the same day, Canada imposed a retaliatory 25% tariff (equivalent to CAD30 billion) on US products. The USD/CAD pair initially rose to a monthly high of C$1.4543 before dropping back thereafter. The markets had already priced in tariff risk, so the actual implementation was in fact greeted by USD selling.

In the middle of the month, President Trump mentioned raising the tariff rate on Canadian imports of steel and so on to 50%, though he shelved the actual implementation. The greenback also moved with a heavy topside when the US February CPI data and consumer confidence indicator fell below expectations, so the currency pair continued trading broadly between C$1.435 and the upper-C$1.44 mark. Canada then released some stronger-than-expected February CPI data (m-o-m). The Canadian dollar was also bought after the FOMC downgraded its outlook for US economic growth, with the pair subsequently dropping below C$1.43. However, news then emerged that the new prime minister and head of the Liberals Mark Carney might bring the general election forward to April 28, with this leading to political uncertainty. Canada's January retail sales data also deteriorated by more than expected, with the preliminary figure for February also sliding on the previous month. The Canadian dollar was sold as a result, with the currency pair strengthening to C$1.43. News emerged late March that President Trump would only apply reciprocal tariffs to certain countries. As risk aversion eased slightly, the greenback was sold and the USD/CAD pair moved from the mid- to the upper-C$1.42 level.

## 2. Outlook for This Month

On March 26, President Trump announced a 25% tariff on imports of automobiles and parts. With the US government set to announce its decision on reciprocal tariffs from April onwards, the USD/CAD pair will be swayed by the US government's tariff policies this month too.

The Bank of Canada (BOC) implemented a further 0.25% rate cut when it met on March 12. With tariffs coming into effect, the likelihood of further BOC rate cuts is rising, with the markets expecting two more within the year (as of March 26).

If tariffs are expanded or prolonged going forward, this will inevitably hit the Canadian economy (which has been showing signs of recovery), with the currency pair likely to have significant room on the upside. According to a BOC survey, in the worse-case scenario, tariffs could shave 2.5% off GDP in the first fiscal year they are introduced.

However, the US might scrap or lower tariffs on Canadian goods, depending on how negotiations go. In fact, the White House announced that automobile parts that meet the criteria of the United States‐Mexico‐Canada

Agreement (USMCA) would be exempt from the 25% tariff on automobile and parts that the US announced on March 26. Furthermore, recent US economic indicators are becoming even more bearish. Based on the above, it seems the USD/CAD pair's topside will be capped above February's high of C$1.47, with the pair likely to trade in a range between C$1.41–1.46 in April.

Shuhei Yamauchi, Seoul Treasury Office, East Asia Treasury Department

# Korean Won – April 2025

**Expected Ranges** **Against the US$: KRW 1,440–1,450**
**Against the yen: JPY 10.21–10.62 (KRW100)**

## 1. Review of the Previous Month

The USD/KRW pair moved firmly March.

The pair opened at KRW1461.0. The won then weakened on concerns about higher US tariffs. President Trump's policy speech contained no surprises, though, while most tariffs on Canadian and Mexican goods were postponed, so concerns eased and the won strengthened. The currency pair dipped below the key KRW1440 mark for a time. However, sentiments worsened again in the week beginning March 10 after the Chinese government announced retaliatory tariffs on US grain and so on, so the won fell and the pair returned to the KRW1460 range.

Concerns about a shutdown of US government institutions eased late March. The currency pair dripped below KRW1440 again, though the won then underwent a gentle slide on caution about major central bank meetings. Furthermore, uncertainty about the domestic political situation grew on speculation that the decision on President Yoon Suk Yeol's impeachment would be announced soon, with the pair subsequently rising higher. As a short-term target, the markets focused on a figure around KRW1470, the pair's high since the declaration of martial law. As concerns about a currency market intervention grew, the pair topped the key KRW1470 level for a time. The pair continued to move firmly in the KRW1460 range towards the month's end before closing at KRW1456.3 (as of 15:30 on March 27).

## 2. Outlook for This Month

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

The pair is currently moving strongly on South Korean political uncertainty and tariff policies (particularly those of the US). The US is expected to implement reciprocal tariffs on April 2. An optimistic mood has grown on recent reports that the tariffs will not be too tough, but concerns about global economic growth are also becoming an uncertainty for South Korea, a country that relies on export industries.

Turning to South Korea's political situation, and the announcement about President Yoon's impeachment is taking longer than expected. If the Constitutional Court supports impeachment, then a presidential election will be held within 60 days. If the Court decides not to impeach, then President Yoon could return to his post, but there are fears this could lead to a prolonged political vacuum as the opposition party steps up its response. It will take time before this uncertainty dissipates.

In light of the above, it seems likely that the USD/KRW pair will continue moving firmly in April. If investors grow more concerned about political instability, they could try pushing the pair above its recent high of KRW1500.

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

# New Taiwan Dollar – April 2025

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| **Expected Ranges** | **Against the US$: NT$32.50–33.50** |
| | **Against the yen: JPY4.35–4.75** |

## 1. Review of the Previous Month

In March, the USD/TWD pair's movements were marked by the buying of the US dollar.

The pair opened at TWD32.860 on March 3. President Trump then said there was no room for negotiations about halting the 25% tariff on Canadian and Mexican goods that were set to commence on March 4, so the greenback was bought on risk aversion, with the currency pair temporarily rising to TWD32.90. However, the Trump administration then announced that Canadian and Mexican goods that met USMCA standards would be exempt from the 25% tariff until April 2, to the pair dropped back to around TWD32.820.

German/US interest rate differentials shrank mid-March after Germany announced plans to boost fiscal spending, so the euro soared and the dollar index fell. Taiwanese stocks were sold at a faster pace by overseas investors, though, so US-dollar buying prevailed, with the currency pair rising again to TWD32.90.

In the latter half of the month, the FRB and the Central Bank of the Republic of China (Taiwan) kept their current policies broadly unchanged at the monetary policy meetings, as expected by the market, so the market impact was minimal. Overseas investors continued selling Taiwanese stocks, with the bearishness of these stocks leading to US-dollar remittances. The Taiwan dollar moved heavily as a result, with the currency pair rising to the TWD33 range and closing around TWD33.10.

## 2. Outlook for This Month

The USD/TWD pair will probably move in a range in April.

There will be three mid- to long-term themes for the markets: the Trump administration's tariff policies, overseas interest rate movements, and the sustainability of AI semiconductor investment. The path to profitability is growing steeper for AI-related stocks. If overseas investors and so on unwind their Taiwanese stock positions at a faster pace on this trend, demand for the US dollar will probably increase too. Asian currencies could also move heavily depending on the direction of the Trump administration's tariff policies, with the Taiwan dollar likely to be sold as a result.

However, the US economy is slowing slightly as consumption deteriorates. If expectations grow for FRB rate cuts within the year, the greenback will probably be sold as US treasury yields fall. When it met in March, the Central Bank of the Republic of China (Taiwan) left its policy rate fixed at 2.00% for the fourth straight month, but it will probably maintain a restrictive stance toward the real estate market for a while, with this likely to support the Taiwan dollar's downside. Based on the above, it seems the currency pair will trade in a range round TWD33 this month.

Ken Cheung, East Asia Treasury Department

# Hong Kong Dollar – April 2025

**Expected Ranges** **Against the US$: HK$ 7.7600–7.7900**
**Against the yen: JPY 18.60–19.40**

## 1. Review of the Previous Month

In March, the HKD spot hovered near the 7.77 level amid heavy USD sell-offs. As the US growth outlook deteriorated due to Trump's policy uncertainties, the Fed is expected to continue its rate cut cycle this year, reducing the likelihood of a USD-HKD interest rate re-widening. The Fed kept its policy rate unchanged at the 4.25% to 4.5% range and maintained its projection of two rate cuts by year-end.

Positive domestic developments supported the HKD. A strong rally in HK stock markets increased HKD transaction demand. With the US equities correction, foreign investors rebalanced their portfolios by pouring capital into undervalued Chinese and HK investments following the launch of a China-developed AI model, boosting the Hang Seng Index to a three-year high of 24,874. The buoyant Southbound Stock Connect inflow kept the HKD on a strong footing, with flows reaching HKD 400bn so far this year, outpacing previous years.

However, the carry trade flow of long USD/HKD positions prevented the HKD from strengthening towards the 7.75 level. HKD liquidity conditions remained stable, with the overnight HKD HIBOR capped below 3% most of the time. Despite the jump in the Hang Seng Index, HKEx mainboard daily turnover remained below the high of HKD 620.4bn in October. The outstanding HKMA aggregate balance appears sufficient to support the increasing HKD settlement demand at this moment.

As the HK IPO market picked up notably with soaring margin loan demand from retail investors, the Securities and Futures Commission (SFC) capped the amount of margin loans for IPO subscriptions. Under the new rule, retail investors are required to deposit at least 10% capital when taking out a margin loan for IPOs. These changes will likely reduce the amount of IPO oversubscriptions and cool down the recent IPO frenzy.

HK retail sales extended their decline for 11 straight months, reflecting sluggish domestic consumption amid buoyant cross-border outbound consumption in mainland China and a feeble inbound tourism recovery. HK CPI inflation for February slowed to 1.4% YoY from 2.0% YoY due to Chinese New Year seasonality. Alongside overseas policy uncertainties, HK PMI dropped to 49 from the prior 51, falling below the 50 expansionary mark for the first time since August.

## 2. Outlook for This Month

The HKD spot is expected to stay in the strong half of its trading band in the coming month, as the Fed is likely to continue its rate cut cycle given increasing recession risks, suppressing the USD-HKD interest rate spread. The moderating Trump trade momentum has removed the chance of Fed rate hikes this year largely. Equity inflows will provide support to HKD demand. Considering the low-interest rate environment in the onshore China market amid the PBoC's moderately loose monetary policy, onshore China investors are expected to continue diverting their capital to HK stock markets for undervalued HK equities via Stock Connect. Despite the recent decline, the Hang Seng A-H shares premium stood around 130, reflecting a 30% premium of A-shares over H-shares. The Stock Connect inflow will continue to fuel transaction demand for HKD.

The HKD stock market performance will depend on China's growth recovery. At the National People's Congress, Chinese leaders set a challenging annual growth target of around 5%, while raising budget deficits to 4%. In late March, Chinese Premier Li Qiang added that the government could roll out additional stimulus measures to support growth if necessary. The looming Trump reciprocal tariff policies will pose uncertainties on global and China's growth outlook. If the Chinese government manages to stabilize China's growth outlook, capital inflow to HK stock markets would likely continue.

The HK IPO market is expected to improve further this year. The buoyant HK stock market and favorable Chinese government policy guidance will encourage more Chinese corporations to list in the HK equities market. HK Financial Secretary Paul Chan estimated that the total amount of HK IPO listings would reach USD 17 to 20bn this year, indicating 54% to 82% YoY growth.

In the medium term, weak domestic HKD loan demand amid the property market downturn and bearish growth outlook will likely keep the USD-HKD interest rate premium. Unless HK equity inflows heat up or the Fed accelerates its rate cut pace, the USD-HKD interest rate spread is unlikely to reverse this year, keeping the USD/HKD spot away from the 7.75 level.

Sae Sueyoshi, Treasury Department, MHBK (China)

# Chinese Yuan – April 2025

| | |
|---|---|
| **Expected Ranges** | **Against the US$: CNY 7.1000–7.5000** |
| | **Against the yen: JPY 19.73–21.55** |

## 1. Review of the Previous Month

The U.S. dollar/Chinese yuan exchange rate fell to the CNY 7.21 level, after which the exchange rate remained stable.

At the beginning of the month, the U.S. dollar/Chinese yuan exchange market opened trading at CNY 7.28 on March 3. The U.S. dollar/Chinese yuan exchange rate then remained high and stable, as the U.S. was scheduled to introduce additional tariffs on China. The U.S. dollar/Chinese yuan exchange rate once reached the lower-CNY 7.29 level. However, the euro appreciated thereafter, in response to a remark by U.S. President Donald trump to give warning against the depreciation of the Japanese yen and the Chinese yuan. In the meantime, the defense level in Europe was also heightened. As a result, the depreciation of the U.S. dollar against the Chinese yuan accelerated. In addition, the employment statistics of the U.S. turned out to be weaker than the market estimate, and consequently, the U.S. dollar/Chinese yuan exchange rate temporarily fell to the upper-CNY 7.21 level on March 5.

On March 10, the U.S. dollar/Chinese yuan exchange market opened trading at the upper-CNY 7.23 level. As the February Consumer Price Index (CPI) of China had been released on March 9 with a weak result, the Chinese yuan weakened against many currencies. Thus, the U.S. dollar/Chinese yuan exchange rate once rose to reach the upper-CNY 7.26 level. However, the trend reversed due to the appreciation of Chinese stock prices as well as the rise of the bond yields in China, and the U.S. dollar/Chinese yuan exchange rate once fell to the upper-CNY 7.21 level. Thereafter, the U.S. dollar/Chinese yuan exchange rate rallied slightly, mainly based on actual transactions in the market, while market participants were waiting for important events such as the Federal Open Market Committee (FOMC) meeting in the U.S.

On March 17, the U.S. dollar/Chinese yuan exchange market opened trading at the lower-CNY 7.22 level. On March 16, the State Council of the People's Republic of China released an action plan and on March 17, major economic indices of China were released with strong figures. In positive response to these, market participants expected an economic recovery in China, and the U.S. dollar/Chinese yuan exchange rate remained low. Then, on March 20, the People's Bank of China (PBOC) central parity rate was set with the weakest Chinese yuan in approximately two months, which weakened the Chinese yuan in the market, and the U.S. dollar/Chinese yuan exchange rate rose to the upper-CNY 7.24 level. On March 21, the U.S. dollar/Chinese yuan exchange rate rose to the CNY 7.25 level.

On March 24, the U.S. dollar/Chinese yuan exchange market opened trading at the upper-CNY 7.25 level. While concerns grew over the tariffs policy of the U.S., the PBOC central parity rate was set toward a weak Chinese yuan, daily. As a consequence, the U.S. dollar/Chinese yuan exchange rate also rose slowly. As of March 27, the U.S. dollar/Chinese yuan exchange rate has been fluctuating at the CNY 7.26 level.

## 2. Outlook for This Month

In April, the U.S. dollar/Chinese yuan exchange rate is most likely to remain high and stable, although market participants are advised to remain careful about fluctuation in both directions.

The speculations around the trade policy of U.S. President Donald Trump reminded market participants of the return of the previously observed trade frictions between the U.S. and China. As a result, this initially strengthened the U.S. dollar while weakening the Chinese yuan. However, there have recently been many market participants who sell the U.S. dollar against other major currencies due to concerns over the economic outlook of the U.S. Under the current condition, the important event that is attracting substantial attraction in the market is the introduction of the mutual tariffs scheduled for April 2. Some pointed out the possibility for the U.S. to limit the target partner countries, which temporarily gave a sense of relief to the market. Yet, it is highly likely for China to be included as a target of this policy, and market participants are advised to remain cautious about violent fluctuations in the U.S. dollar/Chinese yuan exchange market after the details of the policy has been announced.

In China, the National People's Congress of the People's Republic of China was held on March 5, and the GDP growth target rate announced was +5%. Furthermore, it was announced that the expansion of overall domestic demand in China is aimed at by boosting consumption. Expectations are growing for the recovery of the domestic economy in China, which is likely to strengthen the Chinese yuan. Thus, market participants can remain hopeful about the recovery of business confidence and economic data in China.

On the other hand, the PBOC central parity rate was slightly adjusted toward a weaker Chinese yuan, and the upper end of the fluctuation for the U.S. dollar/Chinese yuan exchange rate has been gradually rising. Market participants are thus advised to pay attention to the gap between the PBOC central parity rate and the U.S. dollar/Chinese yuan exchange rate in the real market.

Ayumi Kiyota, Asia & Oceania Treasury Department

# Singapore Dollar – April 2025

**Expected Ranges** **Against the US$: SG$ 1.3300–1.3600**
**Against the yen: JPY 110.50–115.00**

## 1. Review of the Previous Month

In March, the U.S. dollar/Singapore dollar exchange rate fell at the beginning of the month, after which the exchange rate continued fluctuating generally within a narrow range between SGD 1.33 and SGD 1.34.

At the beginning of the month, the U.S. dollar/Singapore dollar exchange market opened trading at the lower-SGD 1.35 level on March 3. On the same day, the February Purchasing Managers' Index (PMI) for Singapore was announced, and the figure remained above the 50 mark, to which market participants did not react. Also, on March 5, the January retail sales figures for Singapore turned out to be strong. However, market participants saw this as a result of the fact that the Lunar New Year holidays fell on January this year. Thus, there was no reaction in the market to this news as well. On the other hand, risk-averse sentiment grew in the market, due to confusion surrounding the tariffs war provoked by the U.S. as well as the weakening figures in the various economic indices of the U.S. As a consequence, the U.S. dollar/Singapore dollar exchange rate fell by approximately 1.5% within three days at the beginning of the month, reaching the lower-SGD 1.33 level. On March 10, the U.S. dollar/Singapore dollar exchange rate reached SGD 1.3279—the lowest in the year. On March 13, market participants actively bought the U.S. dollar based on rising interest rates in the U.S., and this led the U.S. dollar/Singapore dollar exchange rate to reach the upper-SGD 1.33 level. However, the March Michigan Consumer Sentiment Index for the U.S. was released thereafter suggesting stagflation. As a result, the U.S. dollar/Singapore dollar exchange rate returned to the mid-SGD 1.33 level. Also, on March 17 local time in the morning in Asia, the February export value for Singapore (excluding petroleum oil) was announced, and the result turned out to be stronger than the previous month's result and the market estimate, recording constant growth that started in 2023. However, there was no particular impact on the market. Thereafter, the February retail sales figure (headline) for the U.S. was announced on the same day local time in the U.S., and the result turned out to be weaker than the market estimate. As a result, the U.S. dollar/Singapore dollar exchange rate fell to a level around SGD 1.33. Then, on March 20, a Federal Open Market Committee (FOMC) meeting was held in the U.S., and the existing monetary policy was maintained, which led the U.S. dollar/Singapore dollar exchange rate to rise to the upper-SGD 1.33 level. On March 24, the February Consumer Price Index (CPI) for Singapore was announced with both the headline index and the core index recording a bigger decline than the previous month, which saw a significant decline. The result was also below the market estimate. However, this news impacted the market only slightly, and the U.S. dollar/Singapore dollar exchange rate rose only by around 0.1%. On March 25, the March service industry PMI for the U.S. was announced, and the result turned out to be stronger than the market estimate, and interest rates rose in the U.S. As a consequence, market participants bought the U.S. dollar, and the U.S. dollar/Singapore dollar exchange rate temporarily reached the SGD 1.34 level. The U.S. dollar/Singapore dollar exchange rate has been fluctuating at the upper-SGD 1.33 level.

## 2. Outlook for This Month

In April, the U.S. dollar/Singapore dollar exchange rate is forecast to rise slightly while fluctuating in both directions in response to headlines from abroad (mainly from the U.S.).

As had been the case so far, there was no significant slowdown in the economy in Singapore. On the other hand, the CPI for Singapore recorded an unexpected decline. The decline observed this time is mostly considered to be a result of the base effect. However, given that there has been a decline in inflation at many of Singapore’s trade partners, the inflation in Singapore is also likely to be on a decline, as planned by the Monetary Authority of Singapore (MAS). Under the current context, the U.S. dollar/Singapore dollar exchange rate has been fluctuating led by the U.S. dollar exchange market, which moves in response to headlines related to the tariffs war. Yet, as a general trend, it is likely for the U.S. dollar/Singapore dollar exchange rate to rise slowly based on the difference in monetary policy between the U.S. and Singapore. It is also worth noting that the MAS plans to hold a regular monetary policy meeting in the middle of April. The MAS is expected to shift its monetary policy toward further monetary easing by the end of this year, while the Federal Reserve Board (FRB) of the U.S. has not changed its attitude to wait & see the business confidence level. Thus, under the current context, further accelerating monetary easing too early is not what the MAS desires. Therefore, it is likely that the MAS will maintain its existing monetary policy at its next monetary policy meeting, and this would be no surprise for market participants. Currently, the Singapore dollar remains relatively strong compared to other Asian currencies. For example, in terms of the rate of return since the beginning of the year, the Singapore dollar outperformed other ASEAN currencies. Given the basket-based monetary policy in Singapore and its governmental management system that is less prone to confusion compared to other countries, the Singapore dollar seems to have established a stronger status as a preferred currency for risk aversion in Southeast Asia. For this reason, as was discussed at the beginning of this article, the U.S. dollar/Singapore dollar exchange rate is forecast to continue rising, but it is likely to be an extremely slow rise. Even if the U.S. dollar appreciates and the Singapore dollar depreciates in the future, the resistance line for the U.S. dollar/Singapore dollar exchange rate is expected to be around the SGD 1.37 level.

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

# Thai Baht – April 2025

**Expected Ranges** **Against the US$: THB 33.50–35.00**
**Against the yen: JPY 4.30–4.50**

## 1. Review of the Previous Month

In March, the U.S. dollar/Thai baht exchange rate did not move in any particular direction.

At the beginning of the month, the U.S. dollar/Thai baht exchange market opened trading at the lower-THB 34 level. Thereafter, the tariffs policy of the U.S. government under President Donald Trump started to cause negative impact on the market, and the U.S. dollar/Thai baht exchange rate fell, rapidly dropping below the THB 34 level. Subsequently, the February Institute for Supply Management (ISM) manufacturing industry business confidence index and other major economic indices for the U.S. were released, and the figures turned out to be weaker than the market estimate. Partly due to these figures, the U.S. dollar/Thai baht exchange rate reached the mid-THB 33 level on March 5. However, on the same day local time in the U.S., the U.S. government announced a plan to postpone the implementation of tariffs policy on some products against Mexico and Canada, and this stopped the U.S. dollar/Thai baht exchange rate from falling. The trend in the market reversed, and the U.S. dollar/Thai baht exchange rate started to rise. Subsequently, major economic indices were released, including the February Consumer Price Index (CPI) for Thailand as well as the February employment statistics for the U.S. Furthermore, important officials made some key remarks, such as Federal Reserve Board (FRB) Chair Jerome Powell as well as the Finance Minister of Thailand. As a result, the U.S. dollar/Thai baht exchange rate started to slowly rise. On March 11, the U.S. dollar/Thai baht exchange rate returned to a level just below THB 34. In the middle of the month, market participants were once again expecting the intensification of the global trade conflict, as some headlines mentioned that U.S. President Donald trump imposed additional tariffs of 25% on steel and aluminum products imported from Canada on March 11. Under such circumstances, the rise of the U.S. dollar/Thai baht exchange rate started to slow down again. As the market sentiment deteriorated, the price of gold was rising, which also accelerated the appreciation of the Thai baht. As a consequence, the U.S. dollar/Thai baht exchange rate fell to the mid-THB 33 level once again. At the end of the month, a monetary policy meeting at the Bank of Japan as well as a Federal Open Market Committee (FOMC) meeting in the U.S. were held, both of which were on March 18 and 19, and the existing monetary policy was maintained in both countries, as had been anticipated by the majority of market participants. Thus, the U.S. dollar/Thai baht exchange rate fluctuated only to a limited degree before and after these meetings. However, toward the end of the month, some market participants adjusted their positions after the important events, and the U.S. dollar/Thai baht exchange rate rose, approaching the THB 34 level on March 21. It is, however, important to note that the U.S. dollar/Thai baht exchange rate did not continue rising rapidly and continued approaching the THB 34 mark and falling again. As of the afternoon of March 27, when this article was being written, the U.S. dollar/Thai baht exchange rate is still fluctuating just below the THB 34 level.

## 2. Outlook for This Month

Market participants are advised to remain cautious about a growing sense of uncertainty over the economic outlook in Thailand.

The implementation of the reciprocal tariffs policy by the U.S. government is scheduled for April 2. However, it is still difficult to predict impact, as the details of the policy are yet to be known. Thus, in the monetary market, an increasing number of market participants are holding a wait & see attitude. However, there have been concerns over negative impacts on the Thai economy that this policy could cause, as it is likely to be implemented against various Asian countries, unlike the trade policy under the first Trump administration, which was implementing trade policy mainly targeting China. Indeed, the February automobile production figure for Thailand was announced on March 25 with a year-on-year decline of 13.6%, recording negative growth for the 19th consecutive month. It goes without saying that this result is partly based on the decline in the domestic market in Thailand. However, it is considered that it was largely based on the tariffs policy by the U.S. government, which led to a decrease in production. As was the case last year, automobile production is not likely to recover this year, which is a negative factor for the Thai baht exchange market. It is also worth noting that the tourism sector, which is another major driving force for the Thai economy, has also been sluggish this year. The number of foreign visitors in Thailand was approximately 3.12 million in February, which is lower than last year's figure (recording a year-on-year decrease of approximately 7%). In particular, the number of Chinese visitors decreased almost by 50% year-on-year, which was the major cause for the decrease. Even though the total number of visitors in January and February maintains positive year-on-year growth, the tourism sector could continue struggling if the number of Chinese visitors continues to decrease. The decline in the tourism sector, which had so far remained strong, is likely to significantly strengthen downward pressure on the Thai baht exchange market. Thus, market participants are advised to expect rising risk-averse sentiment in the times ahead, along with a growing sense of uncertainty over the outlook of the Thai economy.

Kazuhiro Suzuki, Mizuho Bank (Malaysia) Berhad

# Malaysian Ringgit – April 2025

**Expected Ranges** **Against the US$: MYR 4.3800–4.5000**
**Against the yen: JPY 33.10–34.50**

## 1. Review of the Previous Month

At the beginning of the month, the U.S. dollar/Malaysian ringgit exchange market opened trading in March at the mid-MYR 4.46 level. Thereafter, the U.S. dollar/Malaysian ringgit exchange rate rapidly rose to approach the MYR 4.47 level—the monthly high—due to the failure in reaching an agreement at the summit meeting between the U.S. and Ukraine, as well as the U.S. plan to implement tariffs against Canada and Mexico. However, the media subsequently reported that it is possible for the U.S. and Ukraine to reach an agreement on mineral resources trade, which mitigated concerns in the market. Furthermore, the implementation of the tariffs on automobile imports from Canada and Mexico, which had already been announced, was postponed by one month. Thus, the U.S. dollar/Malaysian ringgit exchange rate fell to temporarily reach the MYR 4.40 level, before the release of the February employment statistics of the U.S. Thereafter, said statistics were released, revealing a slowdown in the U.S. labor market. However, Federal Reserve Board (FRB) Chair Jerome Powell kept a cautious attitude toward policy interest rate cuts. As a result, interest rates in the U.S. rose. However, the U.S. and Ukraine released a joint declaration to indicate that Ukraine would be ready to accept a ceasefire agreement under certain conditions. Furthermore, U.S. President Donald Trump withdrew the plan to implement certain tariffs against Canada, at the last minute. Under these circumstances, the U.S. dollar/Malaysian ringgit exchange rate fluctuated within the range between MYR 4.42 and MYR 4.43.

In the middle of the month, the U.S. announced a plan to implement additional tariffs of 200% on alcohol imported from Europe, which fueled concerns over the intensification of the frictions between the U.S. and Europe. Furthermore, there was a sense of uncertainty over the ceasefire agreement between Ukraine and Russia. As a result, the U.S. dollar/Malaysian ringgit exchange rate continued fluctuating between MYR 4.42 and MYR 4.45 in an unstable manner, for a while. Also, at a Federal Open Market Committee (FOMC) meeting in March, the policy interest rate was maintained at the existing level. However, the dot plot still indicated two policy interest rate cuts before the end of the year, and this was seen as dovish in the market. Moreover, the February trade statistics for Malaysia were released thereafter, and the single-month trade value recorded an all-time high, which led the U.S. dollar/Malaysian ringgit exchange rate to fall to reach the MYR 4.42 level. In the last week of the month, there were an increased flow in the market for the end of the quarter, but the U.S. dollar/Malaysian ringgit exchange rate was still impacted by headlines related to the U.S. tariffs. Once the U.S. made a decision to raise the automobile tariffs to 25%, the U.S. dollar/Malaysian ringgit exchange rate started to fluctuate at a higher level before the holidays after Ramadan and reached the MYR 4.44 level in the morning of March 27 with market participants actively buying the U.S. dollar.

## 2. Outlook for This Month

In April, the U.S. dollar/Malaysian ringgit exchange rate is forecast to remain high and stable despite an unstable external environment.

There has been little hope for progress in the Black Sea ceasefire agreement between Ukraine and Russia, due to conditions presented by Russia, such as the discontinuation of sanctions. Furthermore, trying to achieve an agreement in the short term could cause the intensification of frictions between the U.S. and Europe. Thus, market sentiment is not likely to improve easily under the current conditions. Moreover, the tariffs on automobile imports to the U.S. are scheduled to see a significant raise to 25% as of April 3. Concerns in the automobile industry can have a wide range of impact, possibly leading to further deterioration of the market sentiment, especially regarding risk assets such as stocks. Thus, the Malaysian ringgit, which is the currency of an emerging country, is unlikely to appreciate in the times ahead.

From the viewpoint of monetary policy, such policy was maintained at the existing level both in the U.S. and in Malaysia at the March meeting held by the respective central banks. However, while monetary policy in Malaysia was maintained, based on Malaysia's stable economy, monetary policy in the U.S. seems to have remained as it was because there have been too many sources of uncertainty. Thus, the situations surrounding monetary policy are considered different in these two countries. Also, in April, there is no central bank meeting in either country. However, it is expected for the U.S. dollar/Malaysian ringgit exchange rate to fluctuate in both directions, as was the case in March, with market participants buying and selling the U.S. dollar in reaction to headlines related to the U.S. tariffs, expecting various impacts on the economy of each country. It can thus be said that the U.S. dollar/Malaysian ringgit exchange market will continue following headlines related to the U.S. in the times ahead.

As long as the U.S. dollar/Malaysian ringgit exchange market remains sensitive to headlines, market participants are unlikely to buy the currencies of emerging countries. Thus, the U.S. dollar/Malaysian ringgit exchange rate is forecast to remain high and stable.

Tomokazu Moriya, Asia & Oceania Treasury Department

# Indonesian Rupiah – April 2025

**Expected Ranges** **Against the US$: IDR 16,300–16,800**
**Against the yen: JPY 0.8900–0.9300 (IDR 100)**

## 1. Review of the Previous Month

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

At the beginning of the month, the U.S. dollar/Indonesian rupiah exchange market opened trading at the lower-IDR 16,500 level. The February Consumer Price Index (CPI) turned out to be -0.09% year-on-year, revealing the first deflation in 25 years. The Jakarta Stock Price Index temporarily rose by 3.9%, encouraging market participants to buy the Indonesian rupiah. As a consequence, the U.S. dollar/Indonesian rupiah exchange rate fell to the upper-IDR 16,400 level. From March 4 to March 6, market participants continued selling the U.S. dollar due to a decline of interest rates in the U.S., and the U.S. dollar/Indonesian rupiah exchange rate fell to reach the upper-IDR 16,200 level.

From March 10 to March 12, risk-averse sentiment grew in the market as concerns were growing over tariffs introduced by U.S. President Donald Trump as well as an economic slowdown in the U.S. As a result, the Indonesian rupiah depreciated, and the U.S. dollar/Indonesian rupiah exchange rate rose and once reached the upper-IDR 16,400 level. Thereafter, the U.S. dollar/Indonesian rupiah exchange rate continued fluctuating in both directions for a while. Subsequently, the U.S. dollar/Indonesian rupiah exchange rate fell to reach the mid-IDR 16,300 level on March 14.

On March 18, stock prices fell sharply by 7% before the scheduled monetary policy meeting at the central bank of Indonesia, due to concerns over the government's fiscal strategies and the domestic growth outlook. As a result, the Indonesian rupiah depreciated against the U.S. dollar. On March 19, the Indonesian rupiah continued depreciating against the U.S. dollar, and the U.S. dollar/Indonesian rupiah exchange rate rose to the IDR 16,500 level before the central bank's meeting. Thereafter, a regular meeting was held at the central bank of Indonesia, and the seven-day reverse repo rate was maintained at 5.75%—as had been anticipated in the market. On March 20, market participants were cautious about the rise of the exchange rate, which led the U.S. dollar/Indonesian rupiah exchange rate to fall to temporarily reach the mid-IDR 16,400 level. However, this trend ended soon thereafter.

On March 24, the Indonesian rupiah continued weakening, as had been the case since the previous week, and the U.S. dollar/Indonesian rupiah exchange rate rose to reach the upper-IDR 16,500 level. On March 25, market participants sold the Indonesian rupiah with concerns over the fiscal policy of the Indonesian government. As a consequence, the U.S. dollar/Indonesian rupiah exchange rate rose to the IDR 16,600 level, which is the highest exchange rate observed since the Asian financial crisis in 1998. Toward the end of the month, the rise of the U.S. dollar/Indonesian rupiah exchange rate slowed down, but the exchange rate only fell to a limited extent. Thus, the U.S. dollar/Indonesian rupiah exchange rate continued fluctuating in a stable manner between the upper-IDR 16,500 level and the lower-IDR 16,600 level.

## 2. Outlook for This Month

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

In March, the Indonesian rupiah weakened noticeably from the middle of the month, and the U.S. dollar/Indonesian rupiah exchange rate recorded the lowest rate for the Indonesian rupiah since the Asian financial crisis in 1998. In March, the January–February fiscal balance was announced, revealing a year-on-year decline of 30% in tax revenues, which is fueling concerns over the fiscal conditions in Indonesia. Furthermore, the military law of Indonesia was revised, expanding governmental organizations that can hire active-duty military personnel. Some see this as a decline in democracy, fueling concerns over the political situation of the country as well. Due to these factors, stock prices are falling in Indonesia, and the Indonesian rupiah is depreciating rapidly. The policy measures taken by President Prabowo Subianto are often accompanied by a worsening of the fiscal situation, making it difficult to expect an early easing of fiscal concerns. Therefore, market participants are more likely to sell the Indonesian rupiah, as has been the case so far. At the monetary policy meeting held in March by the central bank of Indonesia, the existing monetary policy was maintained. However, the central bank governor of Indonesia, Perry Warjiyo, made a remark that there was still room for policy interest rate cuts, maintaining some expectation for policy interest rate cuts in the times ahead. If the policy interest rate is cut further, the Indonesian rupiah could depreciate further. Thus, the central bank is obliged to remain cautious about its decisions regarding policy interest rate cuts. However, given that the policy interest rate of Indonesia was unexpectedly cut in January while the Indonesian rupiah was on a downtrend, market participants are likely to continue expecting policy interest rate cuts.

The sense of uncertainty remains in the market regarding U.S. President Donald Trump's tariffs policy on the global economy. Under such circumstances, risk sentiment in the market is not likely to improve dramatically. For these reasons, market participants are expected to mainly sell the Indonesian rupiah in the coming month.

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

# Philippine Peso – April 2025

**Expected Ranges** **Against the US$: PHP 57.00–58.50**
**Against the yen: PHP 0.375–0.395**

## 1. Review of the Previous Month

**In March, the U.S. dollar/Philippine peso exchange rate approached the highest rate in the year for the Philippine peso, after which the Philippine peso started to weaken.**

In March, the U.S. dollar/Philippine peso exchange market opened trading at PHP 57.98. While the U.S. economic indices had remained weak since February, the sense of uncertainty grew further over the outcome of U.S. President Donald Trump's tariffs policy. As a result, the U.S. dollar weakened globally. Following this trend, the U.S. dollar/Philippine peso exchange rate fell from around PHP 58 to the lower-PHP 57 level during the first half of March, approaching the highest rate in the year for the Philippine peso.

On the other hand, the February Consumer Price Index (CPI) of the Philippines was announced on March 5, and the result turned out to be +2.1% (-0.2% from the previous month—the lowest figure in five months), significantly below the previous month's result, which was +2.9%, and the market estimate, which was +2.6%.

As a result, some media sources mentioned the possibility for the policy interest rate to be cut in April. However, many participants still expected the policy interest rate to be maintained at the existing level in April. Consequently, the U.S. dollar/Philippine peso exchange rate continued fluctuating at the lower-PHP 57 level until the second half of March.

The turning point came when the governor of the central bank of the Philippines, Eli Remolona, made a remark that the monetary policy meeting scheduled for April 10 might be a good time to cut the policy interest rate, while accepting that the price level still had risks of rising. As a consequence, some market participants revised their outlook, which weakened the Philippine peso, leading the U.S. dollar/Philippine peso exchange rate to return to approach the PHP 57.70 level. In terms of monthly movements, the U.S. dollar/Philippine peso exchange rate saw a rise in the Philippine peso despite the absence of new factors, before returning to the PHP 57 level, at which monthly trading started. The U.S. dollar/Philippine peso exchange market closed in March at this level.

## 2. Outlook for This Month

**In April, market participants are advised to focus on the decision by the central bank of the Philippines on the policy interest rate cut and subsequent statements.**

Given the February price statistics of the Philippines announced in March as well as the recent level of the U.S. dollar/Philippine peso exchange rate, there have been necessary conditions to justify a policy interest rate cut at the monetary policy meeting to be held in April by the central bank of the Philippines.

Furthermore, as U.S. economic indices have often been weak for a while, the expected timing and frequency of policy interest rate cuts in the U.S. have been somewhat adjusted. This can also be a factor to encourage the central bank of the Philippines to cut its policy interest rate.

According to some media sources, some market participants are starting to expect the policy interest rate in the Philippines to be cut by 1% in a year in 2025. However, this has currently not been reflected in the U.S. dollar/Philippine peso exchange market. From a short-term perspective, the U.S. dollar/Philippine peso exchange rate is likely to start moving in a certain direction in response to the March price statistics for the Philippines that are to be released at the beginning of April.

While market participants are waiting to hear remarks to be made by the central bank of the Philippines in attempt to decide when to start monetary easing, pressure to sell the Philippine peso is expected to strengthen during the first half of April. Thus, the U.S. dollar/Philippine peso exchange rate could rise to the PHP 58 level again. While the U.S. dollar/Philippine peso exchange rate could move in both directions in response to media reports related to the U.S. tariffs policy, the U.S. dollar could depreciate globally, as was the case in March, fluctuating to a limited extent at the lower-PHP 57 level, and this is one potential risk scenario. If the expected timing of the policy interest rate cut in the U.S. is revised significantly in response to the March price statistics of the U.S., the U.S. dollar/Philippine peso exchange rate could continue fluctuating violently in the second half of April, and this is another potential risk scenario.

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

# Indian Rupee – April 2025

**Expected Ranges** **Against the US$: INR 85.00–87.50**
**Against the yen: JPY 1.65–1.85**

## 1. Review of the Previous Month

**In March, the Indian rupee started to gradually appreciate against the U.S. dollar, after remaining weak for a while.**

At the beginning of the month, the U.S. dollar/Indian rupee exchange market opened trading at the lower-IDR 87 level. From the beginning of the month to the middle of the month, the U.S. dollar/Indian rupee exchange rate remained at the same level. However, with pressure to sell the U.S. dollar growing stronger, the U.S. dollar/Indian rupee exchange rate occasionally fell below the INR 87 level. Yet, the U.S. dollar/Indian rupee exchange rate did not fall further from this level, and there was no dramatic change in the trend of the market. Toward the end of the month, the Indian rupee started to gradually appreciate against the U.S. dollar due to transactions based on actual demand, as well as the recovery of the BSE Sensex. In the end, the U.S. dollar/Indian rupee exchange market closed trading at the upper-INR 85 level (as of March 24).

The BSE Sensex remained high at around 73,000 at the beginning of the month, after which the index started to fluctuate at around the 74,000 level. From the middle to the end of the month, the trend changed, and the BSE Sensex started to rise to approach the monthly high observed in the previous month. In the end, trading closed at around the 78,000 level (as of March 24). Investment capital inflow from foreign investors to the Indian stock market is likely to be a net sell on a single-month basis. However, there have gradually been signs of recovery. Furthermore, capital inflow into the Indian bond market has been increasing, as India is to be included in an emerging-country government bond index in September 2025.

In terms of Indian economic indices, the February manufacturing and service industries Purchasing Managers' Index (PMI) revealed both strong and weak figures. The January industrial production turned out to be above the market estimate, and the previous month's figure was also revised upward. The February Consumer Price Index (CPI, year-on-year) turned out to be +3.61%, recording negative growth from the previous month's result, which was +4.31%. The February trade balance revealed a decreased trade deficit. However, there has constantly been a deficit, which makes the Indian rupee a persistently weak currency.

## 2. Outlook for This Month

**In April, the U.S. dollar/Indian rupee exchange rate is forecast to remain stable against the U.S. dollar while gradually starting to depreciate against the U.S. dollar again.**

In April, the Indian rupee is expected to start gradually depreciating against the U.S. dollar after a phase of adjustment. Capital inflows have been returning to India, thanks to transactions based on actual demand and foreign investment, which has once strengthened the Indian rupee against the U.S. dollar, and the U.S. dollar/Indian rupee exchange rate once reached the INR 85 level. From a short-term perspective, the U.S. dollar/Indian rupee exchange rate is not likely to rise significantly. However, the Indian rupee is likely to start weakening gradually against the U.S. dollar as upward pressure on the U.S. dollar is strengthening again, while the RBI has been intervening in the foreign exchange market to keep the U.S. dollar/Indian rupee exchange rate from falling excessively.

The February CPI recorded negative growth from the previous month's result, falling below 4.0%—the inflation target rate. Thus, there have been signs of disinflation. However, market participants are advised to remain cautious about the possibility for the monetary policy committee (MPC) to cut the policy interest rate at the next meeting in a consecutive manner after the policy interest rate cut at its previous meeting in February to support the economy. It is also important to remain attentive to remarks by the Reserve Bank of India (RBI, India's central bank) under its governor, Sanjay Malhotra, regarding monetary policy, as well as plans for future policy interest rate cuts.

The Indian rupee is not likely to appreciate as much as expected with growing pressure to sell the U.S. dollar based on the difference in monetary policy between the U.S. and Japan. Thus, the most-likely scenario is for the Indian rupee to start gradually depreciating against the U.S. dollar again following the RBI's intervention in the foreign exchange market to keep the U.S. dollar/Indian rupee exchange rate from falling excessively in case of excessive appreciation of the Indian rupee and outflows (selling the Indian rupee) based on actual demand. However, the RBI Governor Sanjay Malhotra has expressed a welcoming attitude toward the expanded flexibility of the Indian rupee exchange rate. Thus, the volatility of the U.S. dollar/Indian rupee exchange market could be higher than previously seen. Furthermore, there are concerns over stagflation in the U.S., while political remarks by U.S. President Donald Trump are likely to impact the market both in positive and negative ways, regarding which market participants are advised to remain careful.