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Mizuho Dealer's Eye

March 2025

Mizuho Bank, Ltd.

Global Markets Sales & Trading Department

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U.S. Dollar – March 2025

Expected Ranges **Against the yen: JPY146.00–152.00**

Outlook for This Month

The dollar/yen pair hit a 2025 low in February. This came as US interest rates fell on concerns about a US economic slowdown, with Japanese interest rates also rising on growing expectations for BOJ rate hikes.

The recent fall in US interest rates comes after several FRB officials have voiced caution about the outlook for rate cuts. Amid lingering uncertainty about the policies of the new Trump administration, investors are doubtful whether rate cuts will continue from here on. On the other hand, President Trump has seesawed back and forth with regards to when sanctions against Canada and Mexico will come into effect, with market participants starting to switch into risk-off mode on this uncertainty. If reciprocal tariffs really are implemented in stages from April onwards, this could push inflation up again in the US, with investors behaving cautiously on concerns of a global economic recession as trade with the US slows. As such, it seems unlikely that the dollar will continue to see one-sided buying.

Recent headlines have also roused expectations for a BOJ rate hike in the near future. There have already been substantial moves to price in a rate hike at the July BOJ meeting. However, there is a strong sense that expectations for a near-term rate hike have risen too high. There seems to be a shortage of factors capable of pushing the yen higher based on these expectations alone and ignoring Japanese/US interest-rate differentials. Meanwhile, observers have voiced optimism about the prospect of wage hikes in the new Japanese fiscal year. With the results of the spring wage negotiations set for release, the yen will probably be bought overseas investors on anticipation for BOJ rate hikes. With many central banks discussing or actually implementing monetary easing, the yen will also be supported by the BOJ's monetary policies as it eyes further rate hikes, so it seems likely investors will continue to favor the Japanese currency.

Furthermore, on the supply and demand front, the dollar/yen pair will also be weighed down by seasonal factors as many Japanese firms sell foreign currencies at the end of the fiscal year, with the pair likely to face more downward pressure.

Based on the above, it seems the currency pair will edge lower in March while trading with a heavy topside.

Dealers' Market Forecast

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

Bullish on the dollar	10 bulls	154.50 – 147.75	Bearish on the dollar	5 bears	152.50 – 146.00

* Ranges are central values

Miyachi	Bull	156.00 – 148.00	It seems market expectations for an early BOJ rate rise have risen too high. Yen long positions have also piled up in the futures positions of IMM speculators. As overseas investors unwind their positions and Japanese investors buy the greenback, the dollar/yen pair will probably have its topside tested.
Kawai	Bear	152.50 – 146.00	The markets have not fully digested the stream of policies announced by President Trump. With a risk-off mood still prevailing, the dollar/yen pair began falling after the US released a series of bearish economic indicators in February, with this trend set to continue in March. However, if the slide in US interest rates is reined in, the currency's pair's room on the downside will also be capped.
Kawabata	Bear	152.50 – 147.50	BOJ governor Kazuo Ueda has adopted a flexible stance regarding the rate-hike cycle. With speculation also smoldering that the BOJ will upgrade its outlook for the neutral rate, the environment will remain conducive to rising yen interest rates. There are signs that US economic sentiments are deteriorating, so the dollar/yen pair's topside will probably be capped by risk-off demand for the yen in the face of Trump tariffs.
Kato	Bull	153.00 – 148.00	The BOJ is clearly inclining in a more hawkish direction than many market participants expected, with some investors already anticipating a strong yen. However, it seems the dollar/yen pair has fallen a little too fast from its January high, with the pair likely to face some adjustment this month.
Yamazaki	Bull	154.00 – 145.00	The dollar/yen pair may face downward pressure from Japanese/US interest-rate differentials, but it will probably move firmly on movements by President Trump. Dollar long positions are also building up, so there could be a market lull this month. The pair could swing higher for a time on headlines, so caution will be needed.
Tagawa	Bull	155.50 – 148.00	Investors are starting to build up yen longs on expectations for BOJ rate hikes and the end of deflation in Japan. However, it seems unlikely that the BOJ will lift rates by as much as three times this year, so the dollar/yen pair's current slide seems somewhat excessive. The pair will probably bounce back as expectations wane.
Matsunaga	Bull	152.00 – 147.50	Consumer sentiments are worsening in the US, but the recent weekly data has shown no signs of a substantial slide in consumption. If uncertainty about tariffs is cleared, the greenback will bounce back steadily.
Katoono	Bull	156.00 – 147.00	Investors have overly priced in BOJ hawkishness, but this trend will take a breather, with investors likely to unwind their yen long positions. Investors should continue to monitor turmoil in the US related to Trump's tariffs and DOGE initiatives, but the FRB will remain in cautious mode in the face of these uncertainties.
Okuma	Bear	152.00 – 146.00	The yen will be susceptible to buying on expectations for earlier BOJ rate hikes, but US economic indicators are moving bearishly on uncertainty about the direction of Trump tariffs. With concerns about a US recession smoldering away, US interest rates are also sliding, with investors set to test the dollar/yen pair's downside.
Ito (Motoi)	Bull	157.00 – 147.00	Investors are already fully pricing in yen-buying factors such as expectations for further BOJ rate hikes and expanded Trump tariffs. If these factors come under some adjustment, then yen will probably move bearishly again.
Han	Bear	152.50 – 145.00	The results of Japan's spring wage negotiations will be released soon. If wages rise, the yen will probably be bought on speculation about earlier BOJ rate hikes. At the same time, there is uncertainty about how things will develop in the US under the Trump administration, so investors will find it hard to actively buy the dollar.

Suzuki	Bear	152.00 – 146.00	President Trump's tariffs are leading to risk aversion. There are also expectations for early BOJ rate hikes and lots of positive noises in Japan regarding wage hikes. With Japanese firms also selling foreign currencies for seasonal reasons, it seems the dollar/yen pair will edge lower this month.
Nishi	Bull	153.50 – 147.00	Trump tariffs will be imposed on goods from Canada, Mexico and China going forward. With reciprocal tariffs also set to commence from April, the greenback will probably be bought on Trump trades. It seems expectations for early BOJ rate hikes have gone too far, so the dollar/yen pair looks set to rise as investors unwind their yen long positions.
Harada	Bull	153.00 – 148.00	The yen is currently being bought and the dollar sold on concerns about a US economic slowdown and expectations for further BOJ rate hikes. However, the FRB has adopted a cautious stance towards rate cuts and there is also uncertainty about then the BOJ will raise rates next, so the dollar/yen pair will probably edge higher.
Matsuki	Bull	155.00 – 148.00	Speculators have accumulated a lot of yen long positions on expectations for an early BOJ rate hike, so there is not much room for further yen appreciation. Sentiments might also worsen on tariff policies, so caution is required.

Takahiro Yamada, Forex Sales, Global Markets Sales & Trading Department

Euro – March 2025

Expected Ranges **Against the US$: US$1.0100–1.0500**
Against the yen: JPY149.50–163.00

Outlook for This Month

The euro/dollar pair is expected to move bearishly in March. The euro will be conducive to selling on the divergent monetary policy directions of the FRB and ECB. However, the pair will swing up and down on the status of Ukraine peace talks and President Trump's tariff policies, so caution will be needed.

The ECB Governing Council decided a -25bp rate cut when it last met in January. In her press conference, ECB president Christine Lagarde said it was too early to talk about neutral rates and she hinted that rate cuts might continue from the March meeting onwards. The minutes were subsequently released and they reconfirmed that ECB policy would remain restrictive for the time being. The OIS market then saw moves to price in three rate cuts in 2025, including a -25bp cut at the March meeting. Inflation remains high in the US and it seems nailed on that the FOMC will keep rates fixed when it meets in March. As such, the euro might weaken on European/US interest-rate differentials.

Turning to the eurozone economy, and growth remains sluggish, despite the ECB lowering rates in stages by a combined -125bp since June 2024. Real GDP in the last quarter of 2024 stood at a seasonally adjusted +0.1% q-o-q, with the eurozone avoiding negative growth. Spain's economy performed well on firm consumer spending, but the economies of Germany and France both moved sluggishly. With Germany in particular, industrial production was down by -3.1% y-o-y in December, with the data moving in negative territories for the first time since June 2023. With the manufacturing slump dragging on, German exports have also fallen sharply on soaring commodity prices and a Chinese economic slowdown. The political situation remains tumultuous, with the far right making gains in Germany and France, so Europe is losing to ability to respond robustly to Donald Trump and his punitive tariffs. As such, concerns will likely grow about a further downswing in exports, principally to the US. The euro/dollar pair has bounced back after hitting a 2025 low in early February, but the fundamentals have not shifted significantly, with the euro likely to be sold on the contrast with the US's strong economic performance.

Dealers' Market Forecast

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

Bullish on the euro	1 bull	1.0500 – 1.0300	Bearish on the euro	14 bears	1.0550 – 1.0150

* Ranges are central values

Miyachi	Bear	1.0600 – 1.0150	Investors should monitor the Ukraine situation and moves by speculators to unwind dollar longs. However, the euro/dollar pair's room on the topside will be capped by European fundamentals, the divergent monetary policies of the US and Europe, and the Trump administration's policies towards Europe, including tariffs.
Kawai	Bear	1.0550 – 1.0150	The euro/dollar pair has rallied since entering 2025, but this seems to be just some adjustment to the bearish trend that continued from October 2024 on the gap between economic sentiments and monetary policy in the US and Europe. The pair may begin falling again on the Ukraine/Russia situation or political uncertainty in Europe's major nations.
Kawabata	Bear	1.0550 – 1.0200	ECB Governing Council members have not voiced any caution or opposition to rate cuts, so it seems the Council will lower rates when it meets in March. The ECB will strengthen its data-driven stance, but there are also concerns about the impact of Trump tariffs, so the euro/dollar pair will probably stage a weak recovery within a range.
Kato	Bear	1.0500 – 1.0200	The US economy is moving steadily above its rate of potential growth. This marks a stark difference with the performance of the eurozone economy, with the euro/dollar pair likely to continue facing downward pressure from this economic gap. The euro will face ongoing selling pressure until the eurozone overcomes its demand shortage problem.
Yamazaki	Bear	1.0500 – 1.0150	The euro/dollar pair will move weakly on the comparison between the US and Europe. The pair will be swayed by developments in the US, but on the whole the euro will continue trading with bearish undertones. If the Ukraine situation changes, this could give the pair some momentum, though this scenario seems unlikely.
Tagawa	Bear	1.0500 – 1.0150	The euro has moved firmly recently, but the ECB will probably lower rates when it meets in March, while the eurozone is lagging behind the US when it comes to economic performance. The euro/dollar pair is expected to trend lower again.
Matsunaga	Bull	1.0500 – 1.0300	The euro will be weighed down by the tariff issue, but it will also be supported by several factors, including developments in the Ukraine situation, expectations for the announcement of Chinese stimulus measures at the National People's Congress, and fund inflows into laggardly European stocks, so the euro/dollar pair is unlikely to fall sharply.
Katoono	Bear	1.0550 – 1.0250	There are hopes that the economy might bounce back as energy prices stabilize on the likelihood of a Ukraine ceasefire. However, the Trump administration will probably impose tariffs and political uncertainty looks set to continue, so the situation will remain conducive to ECB rate cuts.
Okuma	Bear	1.0550 – 1.0200	The dollar is moving bearishly on concerns about a US economic slowdown, so the euro/dollar pair is unlikely to fall sharply. However, the pair will remain susceptible to selling during phases of risk aversion due to Trump tariffs. The pair will also trade with a heavy topside on deep-rooted uncertainty about the German economic and political situation.
Ito (Motoi)	Bear	1.0500 – 1.0000	President Trump's statements suggest he will take a hardline stance and make moves against China and Europe. If the tariff problem in North America is put to bed, the next target will probably be Europe.
Han	Bear	1.0550 – 1.0100	The euro/dollar pair will be weighed down when President Trump hits Europe with tariffs. If progress is made toward a Ukraine/Russia ceasefire, this would probably be a positive factor for Europe.

Suzuki	Bear	1.0550 – 1.0150	The US is facing stagflation concerns, but the economic and political situation in the eurozone remains unchanged, so investors will find it hard to buy the euro. The euro/dollar pair will also be pushed down by comments by President Trump about tariffs on Europe.
Nishi	Bear	1.0600 – 1.0100	The dollar will rise and the euro will fall this month on a revival of Trump trades. The political situation is up in the air and the economy is slowing in Germany and elsewhere in the eurozone, so investors will find it hard to actively buy the euro. The euro/dollar pair will move bearishly while being swayed by moves by the Trump administration.
Harada	Bear	1.0500 – 1.0100	It seems the US will finally hit the eurozone with tariffs this month. The eurozone continues to face political instability and an economic slowdown too, so the environment will remain ripe for some euro selling.
Matsuki	Bear	1.0500 – 1.0000	There remains a gap between US and European monetary policy. There is also uncertainty about a Russia/Ukraine ceasefire, while sentiments are deteriorating on tariff policies. These will all act as euro-selling factors, with the euro/dollar pair set to continue trading with a heavy topside.

Fumihiko Kanda, Europe Treasury Department

British Pound – March 2025

Expected Ranges **Against the US$: US$1.2200–1.2800**
Against the yen: JPY183.00–193.00

1. Review of the Previous Month

The GBP/USD pair rose in February. As the dollar climbed on reports about US tariffs, the pair opened the month trading at the upper-$1.22 mark on February 3. During the afternoon, Mexico's president said the imposition of tariffs might be pushed back a month, so the pair was bought back to $1.24 amid volatile trading. As expected, the BOE implemented a -0.25%pt rate cut on February 6, with two members even voting for a -0.50%pt cut, with the pair sold to $1.23 on this dovish stance. The pair moved flatly for a while thereafter. On February 13, it was announced that the UK's 4Q GDP figure had surprisingly risen by +0.1% on the previous quarter. With the US January retail sales data also falling sharply below expectations on its release on February 14, the currency pair strengthened to $1.26. The UK released a series of better-than-expected indicators the following week, but the pair continued trading with a heavy topside around $1.26. The US February Conference Board Consumer Confidence Index dropped below expectations on its release on February 25, so the greenback was sold and the GBP/USD pair rose to $1.27 on February 26. The pair then weakened to the lower-$1.26 level on February 27 on news about US tariffs.

The pound fell slightly against the yen. After opening the month in the lower-191 yen range on February 3, the GBP/JPY pair was bought back to 193 yen on February 4 on comments by Mexico's president. However, BOJ Monetary Policy Committee (MPC) members then made some hawkish comments, With sterling also moving bearishly, the currency pair fell to 187 yen on February 7. With the pound rallying and the yen weakening up until February 13, the pair shot back to 193 yen, though this momentum was short-lived. The next week saw the pair moving around 191 yen, though it was temporarily sold to 188 yen on February 20 on comments by a BOJ Policy Board member. The pair then floated around the 189 yen mark.

2. Outlook for This Month

The GBP/USD pair is expected to move with a heavy topside in March.

With the UK releasing a series of bullish indicators last month, it seems unlikely that the BOE's Monetary Policy Committee (MPC) will implement a further rate cut when it meets on March 20 (at the time of writing, bets on a rate cut stand at around 8% in the swap markets). MPC member Catherine Mann had previously struck a hawkish stance, but she made waves last month when she suddenly voted for a -0.50%pt rate cut, with the votes of each member likely to attract attention this month too.

The UK's spring budget will also be announced on March 26. Its seems nailed on that the UK will ramp up defense spending on the Ukraine situation, so observers will be watching to see where the funds for this come from. January's sharp rise in gilt yields is still fresh in the mind, so attention will also focus on the UK chancellor's speech. The reaction of bond markets lagged being that of the forex markets after the autumn budget last year, so it will be hard to gauge the reaction to the budget just from any initial moves.

The US's trade balance against the UK is in the black, so the direct impact of tariffs will be quite muted in the UK compared to other regions, but the GBP/USD pair could be swayed by dollar strength/weakness or global risk sentiments, so caution will be needed.

A glance at implied volatility in the currency options markets suggests the pound will fluctuate by around 1.5% against the dollar and by around 2.5% against the yen this month. Some investors are already on guard against sterling's considerable volatility against the yen, with premiums on put options against the yen (downside insurance) continuing to rise.

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

Australian Dollar – March 2025

Expected Ranges	**Against the US$: US$0.6130–0.6440**
	Against the yen: JPY92.80–95.80

1. Review of the Previous Month

The AUD/USD pair fell sharply at the start of February on headlines about the imposition of further US tariffs, but it steadily recovered thereafter. At the weekend, the White House press secretary denied that tariffs would be postponed and she added that the US was minded to announce tariffs of 25% on goods from Mexico and Canada and 10% on goods from China. As a result, the Australian dollar was sold soon after trading began on February 3, with the currency pair's downside temporarily sliding to $0.608. However, the US announced it would delay the imposition of tariffs on Canadian and Mexican goods by one month, so the Australian dollar was then bought back. On February 4, the US placed a 10% tariff on Chinese goods as planned, so the Australian dollar was sold, though the AUD/USD pair steadily rallied thereafter when Chinese retaliatory moves turned out to be not as large as feared, with the pair climbing to just below $0.63.

The Trump administration announced a 25% tariff on steel and aluminum imports mid-February, with the currency pair also weakening to the mid-$0.62 mark again on the strong US CPI data for January. The US then released some bearish January retail sales data on February 14, though, so the pair climbed to the mid-$0.63 level. As expected, the RBA board implemented a 25bp rate cut when it met on February 18, but expectations for further rate cuts waned on February 20 when Australia's January employment data pointed to the firmness of the labor market, with the AUD/USD pair then strengthening to $0.64.

Late February saw the pair trading with a lack of direction, with the pair sliding to the upper-$0.62 mark again on uncertainty about US tariffs and lackluster stock movements (as of February 27).

2. Outlook for This Month

The AUD/USD pair will move with a lack of direction in March. As broadly expected, the RBA implemented a rate cut for the first time in four years and three months when it met in February while also continuing to strike a hawkish stance about the future. Australia's January employment data was released soon after and it confirmed the strength of the employment situation, particular with regards to full-time workers, with the data supporting the RBA's hawkish stance. However, Australia's 4Q Wage Price Index released on February 19 revealed that wage growth had slipped to +3.2%, its lowest level since 2022, with this data suggesting the robust jobs situation might not impact inflation that much. At present, the interest rate markets have priced in just over two more rate cuts this year, more-or-less the same as with the US. With the RBA remaining in hawkish mode and greenback bullishness taking a breather, the AUD/USD pair bottomed out in February. Nonetheless, US stocks are now coming under some adjustment and risk sentiments are deteriorating on uncertainty about US tariffs, so it seems some more impactful factors are required before investors test the pair's topside again. In March, investors should monitor the release of Australia's Q4 GDP data and February CPI data, with the National People's Congress in China also requiring attention at the start of the month.

Yasuko Iwata, Canada Markets Office, Americas Markets Department

Canadian Dollar – March 2025

Expected Ranges **Against the US$: C$1.4150–1.4500**
Against the yen: JPY102.50–108.90

1. Review of the Previous Month

On February 1, President Trump signed a presidential decree placing a further 25% tariff on goods from Canada and Mexico, so the USD/CAD pair opened on February 3 trading at C$1.4793, its highest level since March 2003. However, the pair plummeted to C$1.43 on the same day on news that the tariffs had been postponed for a month. As a sense of relief swept the markets, the tariff premium (a factor including in exchange rates) steadily waned. The US then released some bearish indicators early February, including the January Services ISM Report on Business and the January employment data. In contrast, Canada released some strong employment data for January, so the currency pair weakened to C$1.42.

The US January retail sales data fell sharply below expectations mid-February, so the pair dropped to the mid-C$1.41 level for the first time in roughly two months, with the greenback continuing to be sold and the Canadian dollar bought. President Trump then announced he would impose a 25% tariff on steel and aluminum imports from March 12. Though the US is a major market for Canadian exports of steel and aluminum, the impact on the Canadian pair was muted.

The pair moved in a range from the upper-C$1.41 mark to C$1.428 from mid- to late February. The Canadian January CPI data was released on February 18. The headline figure was up slightly on the previous month at +1.9% y-o-y, as was the core figure at +2.7% y-o-y, but inflation remained within the target range of the Bank of Canada (BOC). Canada's December retail sales data was then released on February 21. The data was up sharply on expectations, in part due to the impact of the consumption tax cut which came into effect mid-December. The imposition of a 25% tariff had been postponed for a month, but as this deadline loomed into view late February, President Trump said tariffs would be placed on Canadian and Mexican imports as planned, so the USD/CAD pair rose again to C$1.43.

2. Outlook for This Month

The Bank of Canada (BOC) will be meeting on March 12. There is uncertainty about tariffs, for example, while the employment data, retail sales data and other Canadian indictors have shown signs of improvement from February onwards, so market bets on a rate cut have fallen to around 46% (as of February 26) and it is growing more likely that the BOC will pause rate cuts after lowering rates at every meeting from June 2024 onwards (the likelihood of a rate cut had stood at around 61% on February 7).

Furthermore, with Canadian prime minister Justin Trudeau stepping down, the ruling Liberal Party will be choosing a new leader on March 9. A general election is penned in for October, but this could be brought sharply forward depending on the results of the leadership election.

The postponement of a 25% tariff hike on all Canadian and Mexican goods will be coming to an end on March

4 and the US might also slap another 25% tariff on steel and aluminum imports on March 12. The US will also be announcing its decision on whether to impose reciprocal tariffs or further tariffs on automobiles from April, with the currency pair set to be swayed by US tariff policies in March.

The pair's tariff premium fell slightly in February, but the greenback has a lot of room to rise again depending on the response of the US and Canadian governments, namely on whether the US will impose further tariffs and whether Canada will hit back with retaliatory tariffs. However, negotiations might lead to another extension of the postponement period for tariffs on Canadian goods. Furthermore, US indicators have weakened further recently. As such, it seems the pair's topside will be held down above the C$1.47 level recorded in February, with the pair likely to trade in a range between C$1.415–1.45 in March.

Shuhei Yamauchi, Seoul Treasury Office, East Asia Treasury Department

Korean Won – March 2025

Expected Ranges **Against the US$: KRW 1,415–1,475**
Against the yen: JPY 9.97–10.74 (KRW100)

1. Review of the Previous Month

The USD/KRW pair fell in February.

The pair opened the month trading at KRW1466.0. It rose to KRW1472.5 on risk aversion after a February 1 announcement that the US would be imposing tariffs on Canada, Mexico and China. However, a sense of relief grew the next day when the US announced it would postpone its tariffs aimed at Canada and Mexico for a month. As investors stopped buying the greenback, the USD/KRW pair plummeted to KRW1440 toward February 7.

As news grew that the US would be imposing reciprocal tariffs, the pair bounced back slightly to open the week beginning February 10 trading at the upper-KRW1450 mark. It remained at this level for a while, though the won was then bought as geopolitical risk eased on hopes that the Russia-Ukraine war would soon end following a telephone conference between the heads of the US and Russia, for example. The pair subsequently dropped to around KRW1440 again.

The pair was pushed down to the lower-KRW1430 level the week beginning February 17, with the won supported by falling US interest rates and the bullish movements of the yen and RMB. The currency pair slid to a monthly low of KRW1424.0 in the week beginning February 24. It then rallied slightly towards the month's end. The BOK implemented a 25bp rate cut when it met on February 25. With the won also sliding on renewed uncertainty about US tariffs, the pair closed the month trading at KRW1443.0 (as of 15:30 on February 27).

2. Outlook for This Month

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

The BOK implemented a 25bp rate cut in February. This came as the economy faced more downside risks from higher US tariffs, changes in the Russia/Ukraine situation, and uncertainty about the political situation at home and abroad. The BOK downgraded its 2025 GDP forecast by -0.4% to 1.5%, with the trade surplus also expected to shrink by around -20% compared to the previous year.

As for the domestic political situation, the final impeachment hearing for President Yoon Suk Yeol was held on February 25. Previous cases suggest a conclusion will be announced in two weeks or so, with the decision set to be released mid-March. If the president is removed from office, presidential elections will be held within 60 days. However, the head of the largest opposition party has also been convicted of violating election laws, with the verdict on his appeal against the ruling also expected to be announced late March. As such, investors will probably focus again on South Korea's domestic political situation this month.

Based on the above, its seems there will be a dearth of won-buying factors in March, so the USD/KRW pair's room on the downside will be capped by won bearishness.

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

New Taiwan Dollar – March 2025

Expected Ranges	**Against the US$: NT$32.30–33.30**
	Against the yen: JPY4.35–4.75

1. Review of the Previous Month

The USD/TWD pair moved in a range in February.

After the Lunar New Year holidays, the pair opened at TWD32.790 on February 3. There were growing concerns that US tech firms might lose their competitive edge to an AI model developed by a Chinese start-up. With investors also worried about the Trump administration's tariff policies, the greenback was bought on risk aversion, with the currency pair temporarily soaring to TWD32.158. However, the pair then dropped back to TWD32.90 on news that the US, Canada and Mexico had reached an agreement to postpone tariffs for one month.

The markets continued to swing to and fro on tariff news mid-February. President Trump announced some reciprocal tariffs, but these were not immediately enacted, so Asian currencies rallied and the Taiwan dollar was also bought, with the USD/TWD pair dropping back to the lower-TWD32.70 mark.

The US released a series of bearish economic indicators late February. As concerns grew about a US economic slowdown, stocks and US interest rates both fell. The currency pair moved with a lack of direction at this time. It jostled up and down mainly around TWD32.72–32.82 before closing the month trading at TWD32.80.

2. Outlook for This Month

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

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. Events lined up in March include the potential imposition of tariffs on Canadian and Mexican goods at the start of the month, with the currency pair's downside likely to be supported as Asian currencies face selling pressure. The deadline for raising the US government's debt ceiling is also looming mid-March, with this also likely to spur on risk-evasive dollar buying.

However, the US economy is showing some signs of a slowdown on deteriorating consumption. Investors are now expecting 2.5 FRB rate cuts this year, up from one previously. With yields on US treasuries also falling, the USD/TWD pair's topside may move heavily. As for AI-related investment, it seems the path to profitability is growing steeper, but demand remains firm and this will continue to support Taiwan-dollar buying. Based on the above, it seems the currency pair will trade in a range round the upper-TWD32 mark this month.

Ken Cheung, East Asia Treasury Department

Hong Kong Dollar – March 2025

Expected Ranges **Against the US$: HK$ 7.7600–7.7900**
Against the yen: JPY 19.00–20.00

1. Review of the Previous Month

The HKD spot rebounded from its 4.5-month low of 7.7955 to below 7.77 amid strong rallies in HK equities. In early February, the implementation of Trump's 10% tariffs on all Chinese goods, coupled with China's relatively mild retaliation, provided relief to investors and left room for trade negotiations. Notably, Trump refrained from implementing his plan of extreme 60% tariffs on Chinese goods, and the 10% tariff hikes should be affordable for China economy. The stabilizing RMB, in the absence of further deterioration in China-US relations, provided some support to the HKD. However, the Fed is expected to pause its rate cut cycle for longer due to Trump's policy uncertainties and robust US data. Higher USD rates will likely pose a headwind for the HKD exchange rate.

Tighter HKD liquidity conditions reduced the carry trade return of long USD/HKD positions and helped stabilize the HKD spot. Amid the recent HK tech rallies, Hang Seng Index mainboard daily turnover jumped to as much as to HKD 400bn, leading to increased settlement demand for HKD. Meanwhile, the HK aggregate balance remained unchanged at around HKD 45bn as the HKD spot did not touch the limit of its trading band during this period. As a result, the overnight HKD HIBOR climbed above 4%. In response to rising liquidity demand, the HKMA loaned out HKD 5.5bn via the discount window facility, the largest daily amount since December 2019.

Direct capital inflow to HK equities also supported the HKD. So far this year, strong Stock Connect inflows have climbed to nearly HKD 200bn, boosting HKD transaction demand. The expected pick-up in IPO activities, with a giant Chinese electric vehicle battery manufacturer planning the largest IPO in four years exceeding HKD 39bn, will likely support HKD inflow and soak up HKD liquidity during the subscription period.

On the data front, Q4 GDP accelerated from 1.9% YoY to 2.4% YoY, putting annual GDP growth at 2.5%. For the whole of 2024, HK GDP annual growth moderated to 2.5% from the prior 3.2%, as subdued consumption offset the recovery in the export sector and investment expenditure. For monthly data, HK retail sales for December slumped by -9.7% YoY, extending the decline trend for 10 straight months. Domestic consumption remained weak due to cross-border consumption activities and lackluster inbound tourism given the persistent HKD strength under the USD-HKD peg.

2. Outlook for This Month

We expect the HKD to move sideways in the stronger half of the USD-HKD trading band, as the Fed is anticipated to resume its rate cut cycle later this year. However, if the Fed pauses its rate cut cycle longer than expected due to tariff uncertainties and strong data, the possible re-pricing of no rate cut this year could push the HKD spot back to the 7.8 handle.

The current rally in HK equities also influences the HKD spot. The HKD has been strengthening recently alongside capital inflow and tighter HKD liquidity amid the China/HK tech rallies. We believe that the risk rally in HK equities is likely to sustain, as Chinese authorities are set to unveil more stimulus measures at the National People's Congress

(NPC) in early March, fueling bullish sentiment. The low valuation of HK equities compared to other major stock markets makes HKD investments more appealing. With strong HKD purchase demand for investments and quarter-end liquidity tightening, the risks for USD/HKD spot are skewed to the downside, in our view. The expected giant IPO listing should also provide a boost to the HKD spot.

In the medium term, the persistent HKD-USD rate discount could protect the downside of the USD/HKD spot. As the Fed intends to keep its policy restrictive for longer, the high HKD rates under the Linked Exchange Rate System could keep the property market on the backfoot, continuously dampening mortgage demand. Meanwhile, sluggish domestic consumption, mounting uncertainty over global trade policies, and cuts in HK government expenditure suggest a faltering HK growth outlook this year and the continuation of weak loan demand.

Hiroshi Takemoto, Treasury Department, MHBK (China)

Chinese Yuan – March 2025

Expected Ranges **Against the US$: CNY 7.1500–7.5000**
Against the yen: JPY 19.60–21.50

1. Review of the Previous Month

In February, the U.S. dollar/Chinese yuan exchange rate continued fluctuating within a narrow range.

After the Lunar New Year holidays, the U.S. dollar/Chinese yuan exchange market opened trading at the lower-CNY 7.27 level on February 5. The U.S. had imposed additional tariffs on China on February 4, against which China announced its decision to introduce retaliatory tariffs on the U.S., and this strengthened downward pressure on Chinese stock prices. However, the People's Bank of China (PBOC) set its central parity rate at the same level as before the Lunar New Year holidays, and this kept the U.S. dollar/Chinese yuan exchange rate from rising further. On February 6, the U.S. dollar/Chinese exchange rate rose to temporarily reach the CNY 7. 29 level. However, there were no other factors to impact the exchange rate in the market, and the fluctuation range was limited. Then, on February 10, U.S. President Donald Trump announced his decision to impose tariffs of 25% on all steel and aluminum imported to the U.S., and this led the U.S. dollar/Chinese yuan exchange rate to rise and approached the CNY 7.31 level for the first time in approximately three weeks. The U.S. dollar/Chinese yuan exchange rate thus fluctuated near the upper end of the daily fluctuation range. Thereafter, market participants sold the U.S. dollar against some currencies based on mitigated geopolitical risks, which led the U.S. dollar/Chinese yuan exchange rate to fall to the lower-CNY 7.28 level on February 13. Subsequently, U.S. President Donald Trump signed presidential orders on reciprocal tariff policy. However, he postponed effectuating it, to which market participants reacted positively. As a result, the U.S. dollar depreciated against the Chinese yuan, and the exchange rate reached the lower-CNY 7.25 level on February 14, the following day. On February 18, U.S. bond yields rose, and the U.S. dollar/Chinese yuan exchange rate rose to the upper-CNY 7.28 level. However, on February 20, the secretary of the U.S. Department of the Treasury, Scott Bessent, made a remark to mitigate concerns over increased issuance of medium- to long-term bonds in the U.S. Furthermore, U.S. President Donald Trump stated that it would be possible to conclude a new trade agreement between the U.S. and China. In reaction, the trend in the U.S. dollar/Chinese yuan exchange market changed, and the U.S. dollar/Chinese yuan exchange rate fell to the upper-CNY 7.23 level. Toward the end of the month, U.S. President Donald Trump made further remarks on additional tariffs on China. As of this writing on 10:00 a.m. (CST) of February 28, the U.S. dollar/Chinese yuan exchange rate has been fluctuating at the upper-CNY 7.28 level.

2. Outlook for This Month

In March, the U.S. dollar/Chinese yuan exchange rate is most likely to remain high and stable.

Market participants are gradually getting used to the trade measures taken by U.S. President Donald Trump. Thus, there has recently not been significant reaction to such measures in the U.S. dollar/Chinese yuan exchange market. However, there has been no sign of improved relations between the U.S. and China, as both Chinese Vice

Premier He Lifeng and the secretary of the U.S. Department of the Treasury, Scott Bessent, expressed concerns over tariffs during their telephone dialogue. The U.S. has been taking trade measures against China step by step. Following the tariffs on China introduced at the beginning of February, it is clear that Mexico has also been considering taking trade measures against China, following discussions with the U.S. on introducing tariffs on imports from China. In particular, the U.S. is expected to take various trade measures against China in March and April, such as in the full implementation of tariffs on steel and aluminum scheduled for March 12, the public hearing on entry fees for Chinese vessels scheduled for March 24, and the submission of reports from various government ministries on trade measures scheduled for April 1. Therefore, market participants are advised to keep in mind that downward pressure on the Chinese yuan is likely to continue strengthening. In terms of monetary policy, the Federal Reserve Board (FRB) weakened its dovish attitude, while the PBOC maintains its measures of monetary easing. Thus, the difference in monetary policy between the U.S. and China is expected to be a factor to keep the U.S. dollar/Chinese yuan exchange rate from falling significantly.

The PBOC continues to set its central parity rate toward a stronger Chinese yuan (counter-cyclical adjustment). Because the central parity rate sets the daily fluctuation range for the U.S. dollar/Chinese yuan exchange rate, it is unlikely that the Chinese yuan will depreciate rapidly or significantly against the U.S. dollar under such circumstances. Yet, the U.S. dollar/Chinese yuan exchange rate is generally expected to remain high and stable in the coming month.

Ayumi Kiyota, Asia & Oceania Treasury Department

Singapore Dollar – March 2025

Expected Ranges **Against the US$: SG$ 1.3300–1.3600**
Against the yen: JPY 110.50–115.50

1. Review of the Previous Month

In February, the U.S. dollar/Singapore dollar exchange rate fell.

On February 3, the first business day of the month during local time in Asia, U.S. President Donald Trump announced that the U.S. would impose additional tariffs on Canada, Mexico, and China. As a result, concerns grew in the market over the persistence of high price increases in the U.S. This led the U.S. dollar/Singapore dollar exchange rate, which was at the mid-SGD 1.35 level at the end of January, to rise as high as the SGD 1.37 level. However, the media reported thereafter that there would be a compromise to postpone the implementation of the additional tariffs, and this cut the trend and offset the rise of the U.S. dollar/Chinese yuan exchange rate in about two days.

Subsequently, the U.S. dollar/Singapore dollar exchange rate continued falling gradually. At the beginning of February, the media continued to report numerous headlines regarding additional tariffs announced by U.S. President Donald Trump, heightening tensions over China's trade policy toward the U.S. and causing confusion within the U.S. Under such circumstances, pressure to buy the U.S. dollar decreased in the market. On February 11, Federal Reserve Board (FRB) Chair Jerome Powell made a remark on price increases in the U.S., emphasizing that there was no need to rush into interest rate cuts, as decisions would be based on observing the actual impact of the additional tariffs. However, this did not encourage many market participants to actively buy the U.S. dollar. There was/were no data or factors to impact the market in Singapore either. Thus, the U.S. dollar/Singapore dollar exchange rate fell to approach the SGD 1.34 level by the middle of the month.

On February 20, indices related to the labor market turned out to have worsened, which encouraged market participants to sell the U.S. dollar again. As a consequence, the U.S. dollar/Singapore dollar exchange rate fell to the lower-SGD 1.33. On February 24, the headline Consumer Price Index (CPI) and core CPI of Singapore were announced with an unexpectedly significant slowdown. There has been an increasingly clear difference between the inflationary environments in Singapore and that in the U.S. However, the U.S. dollar/Singapore dollar exchange rate is on a downward trend, influenced by various headlines from the new government of the U.S. and uncertainty in the future outlook.

2. Outlook for This Month

In March, the U.S. dollar/Singapore dollar exchange rate is forecast to remain high, although it may fluctuate in response to headlines from the U.S.

The Monetary Authority of Singapore (MAS) decided to shift its monetary policy toward monetary easing at its monetary policy meeting held in January. Even though the shift was only a slight slowdown in the appreciation of the Singapore dollar, this decision demonstrated the difference in the attitudes between the MAS in Singapore and the FRB in the U.S., which continues to fight against persistent price increases. In Singapore, inflationary effects are steadily calming. On the other hand, in the U.S., the newly inaugurated government continues to announce measures that could cause inflation to accelerate again. As a result, there is stark contrast in the attitudes of the monetary authorities in the U.S. and Singapore, as well as in the interest rate policies of the two countries (although Singapore does not have a policy interest rate). Under such circumstances, market participants are more likely to buy the U.S. dollar.

It is also worth noting that the core CPI of Singapore, which is carefully observed by the MAS, was +0.8% year-on-year in the latest data for January, which is significantly lower than +1.7% year-on-year, the previous month's result, and reaching the lowest since June 2021, which was under the Covid-19 pandemic. However, as was stated at the beginning of this article, since uncertainty is growing in the market regarding the newly inaugurated government in the U.S., the majority of market participants expect the existing monetary policy in Singapore to be maintained at the next monetary meeting scheduled for April.

On February 20, the government of Singapore released its budget for FY2025. It included an ambitious plan to distribute SGD 600 to all citizens of Singapore in celebration of the 60th anniversary of national foundation this year. Even though this particular policy measure is unlikely to immediately impact the U.S. dollar/Singapore dollar exchange market, the plan is expected to use a significant portion of the fiscal surplus that the government has accumulated thus far. As a result, it may influence the decisions to be taken by the MAS regarding its monetary policy, especially since monetary easing has just begun.

Chengyue Li, Bangkok Treasury Office, Asia & Oceania Treasury Department

Thai Baht – March 2025

Expected Ranges	**Against the US$: THB 33.50–35.00**
	Against the yen: JPY 4.35–4.55

1. Review of the Previous Month

In February, the U.S. dollar/Thai baht exchange rate remained volatile.

In February, the U.S. dollar/Thai baht exchange market opened trading at the upper-THB 33 level. The media reported that U.S. President Donald Trump had signed presidential orders regarding additional tariffs on Mexico, Canada, and China that are to be introduced by the Trump administration. In reaction, market participants actively bought the U.S. dollar. As a consequence, the U.S. dollar/Thai baht exchange rate rose and temporarily reached the lower-THB 34 level. However, the implementation of additional tariffs on Mexico and Canada was postponed, and market participants did not anticipate aggressive exchange of retaliatory tariffs between the U.S. and China either. As a result, there was a sense of relief in the market that shifted the trend, causing the U.S. dollar/Thai baht exchange rate to fall to the mid-THB 33 level. Then, on February 7, the January employment statistics of the U.S. were released, revealing both strong and weak figures. In reaction, the U.S. dollar/Thai baht exchange rate continued fluctuating within a narrow range between the mid-THB 33 level and the upper-THB 33 level. However, the media reported that the Trump administration was considering the implementation of reciprocal tariffs, which encouraged market participants to actively buy the U.S. dollar.

In the middle of the month, U.S. President Donald Trump announced on February 11 that he would impose tariffs of 25% on all imported steel and aluminum. In reaction, the U.S. dollar/Thai baht exchange rate reached the THB 34 level. However, this trend did not last, and the exchange rate fell again. On February 12, the January CPI of the U.S. exceeded the market estimate both in terms of the headline CPI and the core CPI. However, the U.S. dollar/Singapore dollar exchange rate continued falling, and it eventually fell below the THB 34 level. On February 13, the January Producer Price Index (PPI) of the U.S. was announced, and its components revealed a slowdown in core Personal Consumption Expenditures (PCE) index. Furthermore, the media reported that it would take several months for the reciprocal tariffs to be applied, which encouraged market participants to sell the U.S. dollar further. After this trend has calmed, the U.S. dollar/Singapore Thai baht exchange rate remained weak at the upper-THB 33 level.

At the end of the month, market participants were growing less cautious about the additional tariffs to be introduced by the Trump administration. Under such circumstances, the U.S. dollar/Thai baht exchange rate fell to temporarily reach the lower-THB 33 level. However, with the central bank meeting approaching in Thailand, many market participants anticipated a policy interest rate cut and predominantly sold the Thai baht. As a result, the U.S. dollar/Thai baht exchange rate rose to reach the upper-THB 33 level. Then, on February 26, the central bank of Thailand decided to cut its policy interest rate by 25 basis points. Thereafter, market participants started to buy back the Thai baht. As of 4:00 p.m. of February 26 local time in Bangkok, the U.S. dollar/Thai baht exchange rate has been fluctuating at the upper-THB 33 level.

2. Outlook for This Month

In March, the U.S. dollar/Thai baht exchange rate is forecast to remain stable, although it is not likely to rise significantly.

On February 17, the GDP of Thailand was announced for the fourth-quarter period in 2024, and the result turned out to be below the market estimate. Because the annual growth rate did not reach the estimated level either, the government of Thailand requested in writing a policy interest rate cut to the central bank of Thailand. The majority of market participants expected the central bank of Thailand to remain cautious. However, contrary to this expectation, the central bank of Thailand decided to cut the policy interest rate by 25 basis points at its monetary policy meeting held on February 26. This decision is likely to be a preemptive measure to prepare for growing uncertainty in the economic outlook. Thus, it is unlikely for the central bank of Thailand to cut its policy interest rate again at the next monetary policy meeting scheduled for April, and the depreciation of the Thai baht is not expected to advance significantly.

When it comes to factors in the U.S., the minutes of the Federal Open Market Committee (FOMC) meeting held on January 28 and 29 were released on February 19. The minutes revealed that many participants had concerns about price increases and had a cautious attitude regarding additional policy interest rate cuts, as they wished to first assess the impact of the tariff measures implemented by the Trump administration. The implementation of reciprocal tariffs was postponed for the time being. However, it is often the case that emerging countries tend to impose high tariffs on imports from developed nations. Thus, the possibility for the U.S. to raise the tariffs is likely to be a serious burden on the emerging countries in Asia. Furthermore, the U.S. dollar is also likely to be supported by the fact that the U.S. and Russia have agreed to start ceasefire negotiations to end the war in Ukraine.

However, the U.S. dollar/Thai baht exchange rate has been fluctuating in both directions, in response to remarks on tariffs made by U.S. President Donald Trump, as well as action taken by the U.S. and Russia toward the ceasefire in Ukraine. Thus, headline risks remain extremely high, and therefore market participants are advised to remain cautious.

Kazuhiro Suzuki, Mizuho Bank (Malaysia) Berhad

Malaysian Ringgit – March 2025

Expected Ranges **Against the US$: MYR 4.3800–4.5100**
Against the yen: JPY 33.00–34.70

1. Review of the Previous Month

In February, the U.S. dollar depreciated slightly against the Malaysian ringgit, as U.S. President Donald Trump had decided to postpone the immediate implementation of tariffs, while the number of expected policy interest rate cuts by the Federal Reserve Board (FRB) had increased. The U.S. dollar/Malaysian ringgit exchange market opened trading at the MYR 4.47 level, after which the exchange rate rose sharply to the MYR 4.51 level, negatively responding to media reports on tariffs under the Trump administration. The U.S. government subsequently decided to impose tariffs of 10% on China, but the implementation of tariffs on Mexico and Canada was postponed. As a result, the trend reversed, and the U.S. dollar/Malaysian ringgit exchange rate began to fall. China also responded to the situation in a well-prepared manner in order to avoid provoking the U.S. As a result, market participants started to sell the U.S. dollar with a sense of relief, and the U.S. dollar/Malaysian ringgit exchange rate fell to the MYR 4.41 level. Subsequently, the exchange rate returned to around MYR 4.44 as market participants were waiting for the release of the January employment statistics of the U.S., which was scheduled for the evening of February 7. Trading closed for the week at that level.

In the middle of the month, the January employment statistics of the U.S. were released with both strong and weak figures. However, the U.S. dollar/Malaysian ringgit exchange rate remained high and stable, as FRB Chair Jerome Powell made a hawkish remark, while market participants remained cautious waiting for the release of the January Consumer Price Index (CPI) of the U.S. Thereafter, the January CPI of the U.S. was announced, and the result exceeded the market estimate. However, the media reported that the U.S. government was considering the implementation of reciprocal tariffs, which encouraged market participants to buy the Malaysian ringgit, albeit not so actively, in the foreign exchange market. This may have been due to expectations that the implementation of the tariffs would take a long time. However, thereafter, FRB Governor Christopher Waller made a remark to emphasize that the policy interest rate should be maintained at the existing level until price increases have been clearly under control. Furthermore, U.S. President Donald Trump announced a plan to implement additional tariffs on automobiles, semiconductors, and pharmaceutical products. In reaction, the U.S. dollar/Malaysian ringgit exchange rate reached the mid-MYR 4.45 level on February 19. Subsequently, the minutes of a Federal Open Market Committee (FOMC) meeting were released with dovish contents, and the secretary of the U.S. Department of the Treasury, Scott Bessent, made a remark to confirm that an increase in government bond issuance was not being considered. This led interest rates in the U.S. to fall, and the U.S. dollar/Malaysian ringgit exchange rate fell to reach the MYR 4.41 level on February 21.

In the last week of the month, market participants grew optimistic, expecting the U.S. to take a long time to implement the additional tariffs. As a result, the U.S. dollar/Malaysian ringgit exchange rate once fell below the MYR 4.40 level at the beginning of the week. However, major stock prices fell in the U.S., worsening the market sentiment. Thus, the U.S. dollar/Malaysian ringgit exchange rate started to rally and fluctuated mainly at the MYR 4.44 level on February 27.

2. Outlook for This Month

In March, the U.S. dollar/Malaysian exchange rate is forecast to remain high and stable, as the implementation of the U.S.'s reciprocal tariffs seems difficult, making it even more difficult to predict actions to be taken by U.S. President Donald Trump. In Malaysia, the MPC is scheduled to hold a meeting on March 6. The January headline CPI of Malaysia was released recently, and the result turned out to be unchanged at +1.7% year-on-year, while the January core CPI turned out to be +1.8% year-on-year (+0.2% from the previous month). It is expected that price levels will be impacted with some delays by the revisions to civil servants' wages made at the end of last year, as well as the revision of the minimum salary that went into effect in February. Therefore, there is currently no reason for the central bank of Malaysia to change its policy interest rate. This will not be a factor to impact the U.S. dollar/Malaysian ringgit exchange market, as market participants expect the central bank to maintain the existing policy interest rate. As a result, the main driving factor in the market is expected to remain the news related to the reciprocal tariffs proposed by the U.S., as well as actions taken by the U.S., Europe, and Russia regarding the situation in Ukraine.

In terms of reciprocal tariffs, some are skeptical about whether they are actionable in practice. The tariffs were proposed by U.S. President Donald Trump probably as a strategy to make a beneficial deal for the U.S. Yet, the Trump administration has instructed that the tariffs be implemented in April and is expected to carry out the procedure in a somewhat forceful manner. If trade partners do not agree to the negotiation, the Trump administration may hint at additional tariffs, which is likely to lead to a deterioration in market sentiment.

In terms of the situation in Ukraine, this article was written before the visit of the President of Ukraine to the U.S. Thus, it is unknown how this event would turn out. However, the dialogue between the two countries is likely to go smoothly with the precondition that the U.S. will have shared rights to resources in Ukraine. If the war ends, concerns over the U.S. and the international geopolitical situation would be mitigated, creating a positive factor for the currencies of emerging countries, including the Malaysian ringgit. Given the complex changes in market sentiment, the U.S. dollar/Malaysian ringgit exchange rate is expected to fluctuate in both directions while generally remaining stable and elevated.

Tomokazu Moriya, Asia & Oceania Treasury Department

Indonesian Rupiah – March 2025

Expected Ranges **Against the US$: IDR 16,100–16,700**
Against the yen: JPY 0.8900–0.9500 (IDR 100)

1. Review of the Previous Month

In February, the U.S. dollar/Indonesian rupiah exchange rate fell in the middle of the month, although the fall was offset in the second half of the month.

At the beginning of the week, the U.S. dollar/Indonesian rupiah exchange market opened trading at the upper-IDR 16,300 level on February 3. Subsequently U.S. President Donald Trump announced the plan to impose tariffs on the country's major trade partners, after which market participants actively bought the U.S. dollar. As a consequence, the U.S. dollar/Indonesian rupiah exchange rate rose to the upper-IDR 16,400 level. On the same day, the January Consumer Price Index (CPI) was also announced, and the outcome was +0.76% year-on-year, recording the lowest growth since January 2000. On February 4, U.S. President Donald Trump decided to postpone the implementation of the tariffs on Canada and Mexico by one month and to continue negotiations with China. In reaction, the sentiment of investors improved, and the U.S. dollar/Indonesian rupiah exchange rate fell to the mid-IDR 16,300 level.

On February 11, U.S. President Donald Trump announced the decision to impose tariffs of 25% on steel and aluminum, in response to which the U.S. dollar/Indonesian rupiah exchange rate rose to approach the IDR 16,400 level. On February 14, U.S. President Donald Trump stated that reciprocal tariffs would not be implemented immediately, suggesting that there might be some room for negotiations. Consequently, the U.S. dollar/Indonesian rupiah exchange rate fell to the mid-IDR 16,200 level.

On February 19, the U.S. dollar/Indonesian rupiah exchange rate rose to the upper-IDR 16,300 level, as market participants remained cautious about the issues related to the U.S. tariffs. After the regular meeting, the central bank of Indonesia announced its decision to maintain the seven-day reverse repo rate, which is the policy interest rate of Indonesia, at 5.75%. In reaction, the Indonesian rupiah appreciated slightly against the U.S. dollar. However, this was only a short-term trend. On February 21, the U.S. dollar was sold in the overall foreign exchange market. Following this trend, the U.S. dollar/Indonesian rupiah fell to temporarily reach the upper-IDR 16,200 level. However, the exchange rate started to rally thereafter and recovered to the upper-IDR 16,300 level.

On February 25 and 26, risk-averse sentiment grew in the market due to concerns over the U.S. tariffs. As a result, the U.S. dollar/Indonesian rupiah exchange rate rose to the IDR 16,400 level.

2. Outlook for This Month

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

The central bank of Indonesia decided to maintain its policy interest rate at the existing level at the monetary policy meeting held in February. At the meeting held in January, the central bank of Indonesia made an unexpected decision to cut its policy interest rate, citing the need to support the country's economic growth. As a result, market participants were attentive to the decision to be made in February, but now they need to maintain a wait-and-see attitude. The Indonesian rupiah remains weak compared to the past. Under such circumstances, it is difficult to expect the central bank to successively cut its policy interest rate. However, given that the Indonesian economy has not been very strong, and as the governor of the central bank of Indonesia, Perry Warjiyo, made a remark that he would welcome the possibility of further policy interest rate cuts, this confirms that the central bank of Indonesia is still in a phase of policy interest rate cuts.

On the other hand, in the U.S., the economic indices turned out to be sluggish in February. Since then, concerns are growing over the economic outlook of the U.S., and this led interest rates in the U.S. to fall, encouraging market participants to sell the U.S. dollar. Given that the additional policy interest rate cut outlook has been advanced, it is likely for the trend of buying the U.S. dollar to slow down.

Given the current situation, it is difficult for market participants to actively buy either the U.S. dollar or the Indonesian rupiah. However, it also means that market participants are less cautious about the depreciation of the Indonesian rupiah, which makes it easier for the central bank of Indonesia to cut its policy interest rate. For this reason, the pressure to sell the Indonesian rupiah is expected to become stronger.

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

Philippine Peso – March 2025

Expected Ranges **Against the US$: PHP 57.50–59.00**
Against the yen: PHP 0.380–0.395

1. Review of the Previous Month

In February, the U.S. dollar/Philippine peso exchange rate continued to fluctuate in both directions, as market participants were speculating the outcome of a monetary policy meeting in the Philippines.

In February, the U.S. dollar/Philippine peso exchange market opened trading at PHP 58.44. At the end of January, the governor of the central bank of the Philippines, Eli Remolona, made a remark to imply a policy interest rate cut at a monetary policy meeting scheduled for February 13. In reaction, the Philippine peso sharply depreciated against the U.S. dollar. Consequently, the U.S. dollar/Philippine peso exchange rate rose and once reached PHP 58.72, which is the weakest rate for the Philippine peso since the beginning of the year. However, thereafter, the January Consumer Price Index (CPI) of the Philippines turned out to be stronger than the market estimate, which weakened expectations for a policy interest rate cut, which had grown rapidly. This reversed the trend in the market, and the U.S. dollar/Philippine peso exchange rate fell sharply to the upper-PHP 57 level, creating rapid fluctuations.

In the middle of the month, the media featured some economists expecting a policy interest rate cut in the Philippines again. As a result, market participants also started to anticipate a policy interest rate cut again, and the Philippine peso depreciated against the U.S. dollar. The U.S. dollar/Philippine peso exchange rate reached PHP 58.34. However, subsequently, the central bank of the Philippines decided to maintain its policy interest rate at the existing level. As such anticipation was not met, market participants adjusted their positions, and the U.S. dollar/Philippine peso exchange rate rallied to reach PHP 57.777, which is the highest rate for the Philippines since the beginning of the year. Thereafter, long-term interest rates rose in the U.S., encouraging market participants to buy the U.S. dollar globally. Following this trend, the U.S. dollar/Philippine peso exchange rate also rose to approach the PHP 58.30 level.

At the end of the month, various economic indices in the U.S. turned out to be weak. Under such circumstances, long-term interest rates in the U.S. fell, while market participants sold the U.S. dollar. Consequently, market participants gradually started to buy the Philippine peso, and the U.S. dollar/Philippine peso exchange rate fluctuated within a narrow range between PHP 57.80 and PHP 57.95, which is the highest range for the Philippine peso since the beginning of the year. However, there were no new factors toward the end of the month, and the U.S. dollar/Philippine peso exchange market closed trading in February at the upper-PHP 57 level.

2. Outlook for This Month

In March, market participants are advised to carefully observe the economic indices of the Philippines and any comments made by the central bank of the Philippines.

After the monetary policy meeting held at the central bank of the Philippines in February, the governor of the central bank of the Philippines, Eli Remolona, released a statement several times. According to the central bank of the Philippines, the policy interest rate cut was postponed, and the policy interest rate was maintained at the existing level due to growing uncertainty about the future outlook, given the series of trade and customs measures announced by the Trump administration, as well as persistent concerns over price increases.

Furthermore, inflationary pressure is expected to strengthen in the second half of 2025. At the central bank meeting held in December, the annual inflation rate was estimated to be 3.4%, and it was revised upward to 3.5%. On the other hand, the central bank of the Philippines announced on February 21 that the deposit reserve requirement ratio for financial institutions would be lowered from 7.0% to 5.0% (which would have an effect of monetary easing). Since this decision was to be implemented around the end of March, there was little reaction to this news in the U.S. dollar/Indonesian rupiah exchange market.

At the next monetary policy meeting scheduled for the beginning of April, the need for a policy interest rate cut is likely to be a topic for discussion. Under these circumstances, market participants are waiting for the release of the February price statistics for the Philippines (to be released on March 5).

Overall, it can be said that the central bank of the Philippines is seeking the timing for monetary easing, while the next policy interest rate cut in the U.S. is being postponed. Under such circumstances, it is likely for market participants to continue buying the U.S. dollar. Thus, the U.S. dollar/Philippine peso exchange rate is expected to fluctuate at around the PHP 58 level. However, there is a potential risk, as was the case in February, as the U.S. dollar/Philippine peso exchange rate might fluctuate violently in both directions in response to each statement released by the central bank of the Philippines. Therefore, market participants are advised to remain cautious.

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

Indian Rupee – March 2025

Expected Ranges **Against the US$: INR 86.00–88.00**
Against the yen: JPY 1.63–1.83

1. Review of the Previous Month

In February, the U.S. dollar/Indian rupee exchange rate renewed its all-time low, but the RBI intervened in the foreign exchange market to adjust the exchange rate.

In February, the U.S. dollar/Indian rupee exchange market opened trading at the lower-INR 87 level. At the beginning of the month, the U.S. dollar/Indian rupee exchange rate remained low, gradually falling to renew the all-time low. In the middle of the month, the U.S. dollar/Indian rupee exchange rate approached the INR 88 level. However, the Reserve Bank of India (RBI) intervened on a large scale in the foreign exchange market by selling the U.S. dollar and buying the Indian rupee in order to prevent the U.S. dollar/Indian rupee exchange rate from rising further. As a result, the Indian rupee appreciated significantly against the U.S. dollar. Subsequently, the media reported optimistic news that India had met with U.S. President Donald Trump and that tariff negotiations with the U.S. had gone well, along with the expanded purchase of petroleum, oil, gas, and fighter aircraft from the U.S. The market reaction to this news was positive. Toward the end of the month, pressure to sell the U.S. dollar was strong, which kept the U.S. dollar/Indian rupee exchange rate low. However, the trend in the market did not change, and the U.S. dollar/Indian rupee exchange market closed trading at the lower-INR 86 level (as of February 24).

At the beginning of the month, the BSE Sensex remained stable at around the 77,000 level. After the announcement of the government budget plan, the index started to rise. However, the index did not continue rising significantly thereafter. From the middle to the end of the month, the index started to fall and temporarily approached the mid-74,000 level (as of February 24). Investment capital from foreign investors has been flowing out of the Indian stock market incessantly due to recent concerns over an economic slowdown, along with Indian stock prices remaining high.

In terms of Indian economic indices, the January Purchasing Managers' Index (PMI) for the manufacturing and service sectors turned out to show both strong and weak figures. Also, the February monetary policy committee (MPC) meeting was held, where it was decided to cut the policy interest rate for the first time in approximately five years, to 6.25%. The January Consumer Price Index (CPI, year-on-year) turned out to be +4.31%, recording a fall from +5.22%—the result from the previous month. Also, the January trade balance revealed an increased trade deficit, which kept the Indian rupee weak, as has been the case so far.

2. Outlook for This Month

In March, the U.S. dollar/Indian rupee exchange rate is forecast to remain low, although the Indian rupee may start depreciating gradually.

In March, the Indian rupee is forecast to weaken gradually. The RBI occasionally intervened in the foreign exchange market to prevent the U.S. dollar/Indian rupee exchange rate from rising excessively when it was approaching the INR 88 level. As a result, the U.S. dollar/Indian rupee exchange rate fell. Given the tariff talks with the U.S. and the positive outcome, the upper end of the fluctuation for the U.S. dollar/Indian rupee exchange rate is expected to remain the same from a short-term perspective. On the other hand, the Indian rupee remains a currency to be sold, and from a medium- to long-term perspective, the Indian rupee is likely to depreciate slowly against the U.S. dollar again based on the RBI's market interventions to keep the U.S. dollar/Indian rupee exchange rate from falling significantly.

At a monetary policy committee (MPC) meeting held in February, there was a unanimous decision to cut the policy interest rate by 25 basis points for the first time in approximately five years, to 6.25%. The monetary policy stance was kept as neutral, as was the case at the previous meeting. This decision to cut the policy interest rate is more likely to be for economic stimulus, as the latest CPI has been high. Therefore, it is now for the RBI to confirm the process of disinflation to decide on the pace of policy interest rate cuts in the times ahead. Thus, it is unlikely for the policy interest rate to be cut intermittently in the near future.

The Indian rupee has not appreciated against the U.S. dollar to the expected level, despite the pressure to sell the U.S. dollar due to policy interest rate cuts in the U.S. Thus, it is likely that the Indian rupee will start depreciating slowly against the U.S. dollar again as a result of foreign exchange interventions by the RBI to prevent the U.S. dollar/Indian rupee exchange rate from falling, as well as outflow transactions (Indian rupee-selling) based on actual demand. However, it is also important to note that the new governor of the RBI, Sanjay Malhotra, has expressed an open attitude toward the expanded flexibility of Indian rupee exchange rates. Therefore, market participants are advised to remain cautious of the possibility for the U.S. dollar/Indian rupee exchange rate to fluctuate more violently than before.