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Mizuho Dealer's Eye

December 2025

Mizuho Bank, Ltd.

Global Foreign Exchange Department

Azumi Takanashi, Forex Sales, Global Foreign Exchange Department

U.S. Dollar – December 2025

Expected Ranges **Against the yen: JPY153.00–160.00**

Outlook for This Month

The dollar/yen pair is expected to move firmly this month. With a partial US government shutdown coming to an end and the US set to begin releasing major economic indicators again, attention will shift to Japanese and US monetary policy. The FOMC will be meeting from Tuesday, December 9 to Wednesday, December 10. The minutes to the October FOMC proved hawkish, with most participants calling for rates to be left unchanged. As such, bets on a December rate cut temporarily fell to around 30%. However, several FRB officials then made dovish comments supportive of rate cuts, so bets on such a move have risen to around 80%. With the impact of the US government shutdown still being felt, it seems the US October and November employment data and CPI data might not be released or only released after the FOMC meeting. With factors thin on the ground during the FRB's blackout period, market participants are divided 50/50 about the possibility of a US rate cut. However, moves are underway to price in lower rates, so if the FOMC maintains the status quo, the markets will probably react by buying the greenback.

Turning to the Japanese side, and the BOJ's Monetary Policy Meeting is scheduled from Thursday, December 18 to Friday, December 19. Since the last meeting in October, BOJ governor Kazuo Ueda has reiterated on several occasions that he wants to confirm the initial momentum ahead of the spring 2026 wage negotiations, with the BOJ likely to keep policy fixed until more data is available in January. However, Japan's nationwide core CPI figure hit 3% y-o-y in October, so a December rate hike cannot be ruled out either. There are concerns about Japan's ballooning fiscal deficit, with prime minister Sanae Takaichi's fiscal mobilization plan set to clock in at around 21 trillion yen, so the yen will face selling pressure if the BOJ keeps rates fixed. The dollar/yen pair hit a high of 161.95 yen before Japan intervened in the currency markets last year. If it approaches the key 160 yen mark again, Japanese government officials might make some noises aimed at curbing the yen's weakness, with concerns likely to grow about a fully-fledged intervention. BOJ governor Kazuo Ueda is set to make a speech on Monday, December 1, with investors watching to gauge his stance ahead of the meeting. When these US and Japanese monetary policy events are over, market participants will be thin on the ground due to the Christmas and year-end holidays, so the pair will probably trade with a lack of direction amid thin liquidity.

Dealers' Market Forecast

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

Bullish on the dollar	10 bulls	159.00 – 153.00	Bearish on the dollar	6 bears	158.00 – 150.50

* Ranges are central values

Seki	Bull	160.00 – 155.00	It seems almost certain that the FOMC will cut rates in December and that the BOJ will hike rates by January at the latest. However, the markets are expecting the Sanae Takaichi administration to implement a fiscal expansion program. There is also some structural demand for yen selling, so even if the Japanese authorities try to rein in yen bearishness, it seems likely that investors will try pushing the dollar/yen pair above 160 yen this month.
Yamazaki	Bull	160.30 – 154.50	Speculation is growing that the FOMC will lower rates and the BOJ lift rates when they meet in December. However, the dollar/yen pair is moving firmly above 156 yen and it seems the yen will continue to face substantial selling pressure. Investors will probably test 160 yen.
Nagano	Bull	159.00 – 152.00	The dollar/yen pair will fall for a time on expectations for a BOJ rate hike, the possibility of interventions, and anticipation for an FOMC rate cut, for example. However, there are concerns about fiscal expansion by the Japanese government and fears that Japan's services balance will deteriorate on worsening Sino/Japanese relations, so the pair will be supported by yen selling.
Kato	Bear	158.00 – 150.00	As comments by Japan's finance minister Satsuki Katayama suggest, the Japanese government is not happy with the yen's current level. The new administration's first move will be to tackle rising prices, with questions likely to be asked about Katayama's abilities.
Toriba	Bear	160.00 – 150.00	A lot will depend on FRB and BOJ monetary policy. The dollar/yen pair will jostle up and down for a time on speculation about policy shifts, but on the whole the US still seems be on the path to rate cuts and Japan to rate hikes. The pair's topside will be capped by concerns about an intervention when the pair hits highs.
Yamaguchi	Bull	159.00 – 153.00	Even if the BOJ lifts rates and the FRB lowers rates this month, there will be strong demand for dollar purchases by importers and so on when the pair weakens. The pair looks set to move firmly without any sharp falls.
(Tomoko) Yamaguchi	Bull	158.00 – 152.00	The dollar/yen pair is expected to trade firmly in December. The pair is fluctuating day by day on speculation about policy shifts by the BOJ or FRB at their December meetings, but market participants have broadly priced in a BOJ rate hike. The currency pair will be supported by the end-of-year yen-selling flow.
Matsunaga	Bull	159.50 – 153.50	The BOJ and FRB both have two meetings lined up through to January. Investors have essentially priced in a BOJ rate hike and an FRB rate cut, with the dollar/yen pair's level unlikely to shift much on the results of the December meetings alone. The pair will continue trading firmly as long as it cannot be confirmed for certain that the US labor market is slowing.
Katoono	Bull	159.00 – 153.00	Though investors have already moved to price in a further BOJ rate hike, rates are unlikely to rise above the break-even level. Under these circumstances, though the yen will rise temporarily if the BOJ lifts rates, a lack of room for further rises means this upswing will probably be short-lived.
Kobayashi	Bear	158.00 – 149.00	While investors are pricing in an FOMC rate cut in December, expectations are growing for a rate hike at the BOJ's Monetary Policy Meeting. If results go as expected, this will push the dollar/yen pair lower. However, the pair's downside will be capped by concerns about Japan's swelling fiscal deficit.
Okuma	Bear	157.50 – 152.00	There are worries about the fiscal policies of the Sanae Takaichi administration, with expectations for an early BOJ rate hike also waning. However, there is growing speculation about US rate cuts. The bearish Dollar Index suggests the dollar/yen pair will move with a heavy topside this month.

Ito	Bull	165.00 – 153.00	Expectations for US rate cuts will wane until FRB chair Jerome Powell's successor is named, with the dollar likely to be bought. On the other hand, successive rate hikes by the BOJ seem unlikely, with yen-buying factors thin on the ground. With the dollar strengthening and the yen weakening, the dollar/yen pair may top 160 yen.
Nishi	Bull	159.00 – 153.00	Investors will continue to sell the yen on the Sanae Takaichi administration's fiscal expansion policy. There is still some room for the markets to price in a December BOJ rate hike, so the dollar/yen pair will weaken to a certain extent, but with investors having fully priced in a December rate cut, dollar selling is unlikely to continue.
Harada	Bull	159.00 – 153.00	Even if the FRB cuts rates and Japanese/US interest-rate differentials shrink, the yen will be sold on the Sanae Takaichi administration's expansionary economic policies, with the dollar/yen pair set to move firmly.
Yamada	Bear	158.00 – 151.00	The BOJ is likely to lift rates in December, with the dollar/yen pair set to move bearishly on shrinking Japanese/US interest-rate differentials and concerns about interventions by the Japanese authorities. However, there is also speculation that the next FRB chair appointment might speed up the pace of US rate cuts, so the pair's downside will be capped.
Matsuki	Bear	157.00 – 152.00	The BOJ could drop more hints about a December rate hike depending on how far the yen falls, with the yen likely to face upwards pressure in the short term. However, if the BOJ meeting does not send a signal about successive rate hikes going forward, the yen will face more selling pressure.

Tateki Oshima, Forex Sales, Global Foreign Exchange Department

Euro – December 2025

Expected Ranges	**Against the US$: US$1.1450–1.1750**
	Against the yen: JPY178.50–183.00

Outlook for This Month

The euro/dollar pair is expected to move in a range in December. With the ECB likely to keep policy rates fixed, investors will focus on the strength of the pair's downside, though there are not enough factors to support attempts on the pair's topside. When the ECB Governing Council last met in October, it reached a unanimous decision to keep policy rates unchanged, with most observers expecting the same result from the December meeting too. The eurozone's November PMIs were above the 50 mark dividing expansion and contraction, with this supporting those ECB officials who believe policy rates are currently at an appropriate level. One slight worry involves the German economy, with its composite PMI down on the previous month and the IFO Business Climate Index dropping below expectations, but the effect of German fiscal expansion will make itself felt from 2026, so there is no need for excessive concern. ECB staff will be releasing their quarterly projections at the December ECB meeting. In the last release in September, staff members agreed that inflation would be pushed down slightly in 2026 before returning to levels consistent with the +2% target in 2027. The new projections will include 2028, with market participants watching out for any changes. However, the tariff friction with the US has eased and the risk of an economic slowdown has lessened, so the projections are unlikely to be bearish enough to support rate cuts. The euro will probably be bolstered by these expectations that the ECB will leave policy unchanged. In the US, meanwhile, several FRB officials have made dovish comments, so it seems likely the FOMC will implement a -25bp cut when it meets in December. There have also been suggestions that FRB chair Jerome Powell's successor will be announced within the year, with this leading to lower interest rates and dollar selling. However, the markets have already priced this in to a considerable extent, so the impact will be muted.

In November, the euro/yen pair hit its October record high again. It followed in the dollar/yen pair's footsteps by rising on concerns that Japan's finances would be hit by prime minister Sanae Takaichi's reflation policies. There is growing speculation that the BOJ will lift rates in December, but the euro/yen pair will move with a heavy topside on the whole and investors might test highs again if the BOJ shelves rate hikes.

Dealers' Market Forecast

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

Bullish on the euro	14 bulls	1.1800 – 1.1450	Bearish on the euro	2 bears	1.1675 – 1.1365

* Ranges are central values

Seki	Bull	1.1800 – 1.1450	The euro/dollar pair will be supported by US rate cuts in December, but the eurozone's finances are stretched and fund inflows are weak. With the pair also weighed down by political uncertainty, it will soon be sold back even if it does rise, so the pair's room on the topside will be capped.
Yamazaki	Bear	1.1650 – 1.1380	The euro/dollar pair will weaken on political and fiscal problems in the UK and France. With the dollar rising and the euro falling, the pair may break through $1.1500. It downside target may be below $1.1400.
Nagano	Bull	1.1800 – 1.1400	France still faces political uncertainty, but yields on French government bonds and CDS have both regained composure, with the euro/dollar pair set to move firmly on the divergent monetary policies of the US and Europe.
Kato	Bull	1.1800 – 1.1500	The economic situation in the eurozone is regaining composure, with inflation also stabilizing. With the US also set to lower rates, investors will probably focus on the divergent yield rates of the US and Europe.
Toriba	Bull	1.2000 – 1.1300	The ECB will keep monetary policy fixed. There are risks related to the economic situation in Europe and China, but the eurozone still seems in relatively healthy shape compared to other developed nations. The euro/dollar pair will continue moving with a firm downside.
Yamaguchi	Bull	1.1800 – 1.1450	With the FRB set to lower rates in December, the dollar will weaken and the euro strengthen. On the technical front, the euro/dollar pair is moving below its short and medium-term moving average lines, so it might fall this month, but it will be supported at its ultra long-term moving average.
(Tomoko) Yamaguchi	Bull	1.1800 – 1.1450	Though the ECB is keeping monetary policy fixed, it seems more likely that the FRB will strengthen its easing stance. As such, the euro/dollar pair will move firmly on dollar selling. Euro buying will also be supported as eurozone economic sentiments continue to improve.
Matsunaga	Bull	1.1750 – 1.1450	The euro/dollar pair's room on the downside has shrunk now the ECB has stopped lowering rates. However, the eurozone economy is showing signs of weakness, particularly when it comes to manufacturing, so investors will find it hard to actively buy the euro. The currency pair will only undergo a slight rise on expectations for US rate cuts.
Katoono	Bull	1.1750 – 1.1450	Investors are trying to gauge who the next FRB chair will be and how much room there is for further US rate cuts. The economic impact of tariffs might start to gradually appear in indicators from here on too. As such, it seems investors will continue to buy the euro on interest-rate differentials.
Kobayashi	Bull	1.1800 – 1.1450	The markets have priced in a rate cut at the December FOMC meeting. On the other hand, the economic situation has calmed down in the eurozone, with the ECB likely to keep policy rates fixed. The euro/dollar pair will continue to move firmly on these divergent monetary policy stances.
Okuma	Bull	1.1800 – 1.1450	With Europe's economy moving stably, the ECB has hinted that the rate cut cycle has ended. With expectations growing for a FRB rate cut, there is a clear divergence when it comes to monetary policy, with the euro/dollar pair set to move firmly as a result.

Ito	Bear	1.1700 – 1.1350	There is a shortage of factors supporting active euro buying, with the technical trading chart also suggesting the euro/dollar pair will move with a heavy topside. The pair's downside looks set to edge lower towards the end of the year.
Nishi	Bull	1.1800 – 1.1450	With the ECB's rate cut cycle drawing to an end, it seems the US will start lowering rates again on concerns about the jobs situation, with the euro/dollar pair expected to move firmly on European/US interest-rate differentials.
Harada	Bull	1.1700 – 1.1500	There are concerns about the French political situation, but Europe's economy is moving firmly, so the ECB will probably bring rate cuts to a close. On the other hand, investors are pricing in an FRB rate cut, with the euro/dollar pair set to move firmly on shrinking interest-rate differentials.
Yamada	Bull	1.1700 – 1.1500	The euro/dollar pair's room on the downside will be capped now the ECB has stopped lowering rates. However, there is a shortage of factors conducive to active euro buying. With the US still cutting rates, it seems the pair will continue moving firmly.
Matsuki	Bull	1.1800 – 1.1400	FRB opinions are divided when it comes to rate cuts, with the doves unlikely to have everything their own way. However, reports suggest the next FRB chair might be announced within the year, with dovish expectations likely to rise. As such, the dollar's topside will be held down in the short term, with the euro/dollar pair moving firmly.

Motoki Amanuma, Europe Treasury Department

British Pound – December 2025

Expected Ranges	**Against the US$: US$1.3100–1.3600**
	Against the yen: JPY195.00–210.00

1. Review of the Previous Month

The GBP/USD pair rose in November. The pound was sold on November 4 as concerns grew about the budget at the end of the month following a speech by UK chancellor Rachael Reeves, with sterling sold throughout the day without any comeback. The BOE made its policy announcement on November 6, with the pound's November 4 losses pared back and the BOE deciding to keep rates fixed. The decision was a dovish 5-4 vote, with the contents containing comments to the effect that the UK was experiencing disinflation and the BOE had kept policy unchanged so it could monitor the upcoming data. The UK September employment data was released on November 11 and it was down on market expectations. With the unemployment rate also deteriorating, more market participants began pricing in a rate cut. The pound subsequently weakened in tandem with falling interest rates. On November 13, sterling fell after the UK's preliminary third quarter GDP data fell below forecasts. The UK October consumer price index (CPI) was released on November 19. The figure was up on market expectations, but the headline rate was down on the BOE's forecast. The GBP/USD pair's reaction was muted, but the pound was clearly sold against the euro. Moves to price in a December rate cut then waned in the swap markets. The UK's spring budget was released on November 26. The government increased its fiscal buffer through tax hikes and spending cuts, so concerns about the UK's worsening finances eased and interest rates fell, with sterling then rising.

2. Outlook for This Month

The GBP/USD pair is expected to move firmly in December. A glance at the recent UK economic indicators shows the labor market deteriorating, with growth also falling below market expectations. The BOE is scheduled to make a policy rate announcement on Thursday, December 18. The swap markets have essentially finished pricing in a -25bp rate cut. The upside risk lies in the persistency of inflation. In the last policy announcement, the BOE recognized that the UK was experiencing disinflation, with the recent CPI figure also pointing to a clear downward trend. At the same time, though the headline figure in the UK's October CPI announcement was down on the BOE's forecast, the data was generally up on market expectations. The UK's November CPI announcement is scheduled to take place on Wednesday, December 17, one day before the BOE's policy rate announcement. Market participants have already priced in a rate cut, so if the BOE's statement says that disinflation is not taking place, this will work to push the pound higher. The UK's October employment data will be released on Tuesday, December 16, with sterling likely to rise if the data shows clear signs of improvement. In any case, investors have priced in the downside factors on the UK's side and there are lots of factors capable of pushing the pound higher, so even if the GBP/USD pair moves with a heavy topside, it is unlikely to continue falling.

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

Australian Dollar – December 2025

Expected Ranges **Against the US$: US$0.6350–0.6650**
Against the yen: JPY98.50–103.50

1. Review of the Previous Month

In November, the AUD/USD pair fell from $0.65 to $0.64.

Risk aversion prevailed at the start of the month as US stocks faced some correction. The Australian dollar also moved bearishly and the currency pair dipped to the mid-$0.64 level. As expected, the RBA's board reached a unanimous decision to keep policy rates fixed when it met on November 4. The market reaction was muted, though.

US stocks rallied mid-November on hopes that the US government would re-open, with the AUD/USD pair bought back to $0.65. The Australian employment data was released on November 13. The data was up on market forecasts, so the pair temporarily hit a monthly high at the upper-$0.65 mark, though it then dropped back to the lower-$0.65 range as copper prices fell and US interest rates rose.

US stocks moved bearishly late November as investors waited for tech firms to release their business results, with the currency pair also moving with a heavy topside. The closely-watched results of major tech companies beat expectations, but fears of an AI bubble lingered, with the AUD/USD moving with a heavy topside to weaken to the lower-$0.64 level. The delayed US October retail sales data was finally released after the government shutdown ended. The data was up on forecasts, so expectations grew for a US rate cut, with the currency pair subsequently bouncing back to the mid-$0.64 mark.

2. Outlook for This Month

The AUD/USD pair is expected to move firmly in December.

When the RBA board met in November, it decided to keep policy rates fixed while also upgrading its inflation forecast in its economic outlook. The unemployment projection was revised slightly upwards owing to the recent upswing in the unemployment rate, but the labor market remains somewhat tight, so the situation is unlikely to deteriorate going forward. In her press conference, the RBA's governor Michele Bullock avoided any mention of future policy measures, but she did say the RBA was in no rush to lower rates, with the governor strengthening her hawkish stance on the whole. The RBA's deputy governor Andrew Hauser then said in a speech that there would not be much room for monetary easing in the short term. As such, expectations for RBA rate cuts have fallen off sharply, with bets on one more rate cut through to June next year now standing at around 48%. Meanwhile, there is a lingering sense that US AI and semiconductor stocks are overvalued, with this placing pressure on US equities. The US will start releasing some economic indicators now the government has re-opened. If these indicators point again to the weakness of the US labor market, speculation about FRB rate cuts will grow, with stocks sliding back and the AUD/USD pair moving with a heavy topside. Market participants should also monitor the end-of-year shopping season to gauge the strength of consumer spending.

Yasuko Iwata, Canada Markets Office, Americas Markets Department

Canadian Dollar – December 2025

Expected Ranges **Against the US$: C$1.3900–1.4200**
Against the yen: JPY108.00–112.50

1. Review of the Previous Month

The Mark Carney administration released its closely-watched first federal budget for fiscal 2025/26 on November 4. The government announced it would spend over C$280 billion over the next five years on infrastructure, defense, housing, and initiatives to boost productivity and competitiveness. It also announced a package of preferential tax measures to encourage corporate capital investment. However, the impact of the budget on the USD/CAD pair was muted. Canada's October employment data was released on November 7 and it surprised expectations by adding a substantial 67,000 new jobs. The unemployment rate also fell from 7.1% to 6.9%. When it last met in October, the Bank of Canada (BOC) had hinted that it might bring easing to a close, with the October employment data now supporting this possibility. After the release of the data, the Canadian dollar was bought and the USD/CAD pair moved from C$1.41 to the mid-C$1.40 mark.

The US government shutdown continued into mid-November, with the employment data, CPI data and other major indicators remaining unreleased. With several FRB officials also voicing caution about a December rate cut, market expectations for such a move waned. With stocks falling sharply and risk assets being sold, the greenback was bought and the USD/CAD pair moved in a range between C$1.3985-1.4045.

On November 17, Canada's parliament passed a resolution sending the Carney administration's first budget to the lower house for deliberation, thus ending the possibility of a parliamentary dissolution and general election. Canada's October CPI data was released on November 17, with the September retail sales data following on November 21. Both indicators proved bearish, but this had no major impact on the currency pair's movements. As investors continued to buy the greenback, the USD/CAD pair moved around C$1.41.

2. Outlook for This Month

When it met in October, the Bank of Canada (BOC) said its current policy rate level would be appropriate if inflation and economic activity moved in line the economic outlook, with the BOC hinting that the easing cycle had come to an end. The employment data, CPI data and other economic indicators released in November seem to back up this scenario of an end to easing. Canada's November employment data will be released on December 5, before the BOC meeting, but most observers believe the BOC will keep its policy rates fixed this month.

As such, attention has now shifted to whether the FOMC will lower rates when it meets on December 10 (the same day at the BOC meeting). The employment data, CPI data and other major US indicators have not been released owing to the government shutdown, with the FRB steering a difficult course. On November 21, the FOMC vice chair said there was room for rate cuts, with market expectations for such a move growing. If the FOMC leaves rates fixed, though, the currency pair's topside could breach C$1.41.

Market participants should also pay attention to the direction of the US/Canada trade talks and the US Supreme

Court's decision about the legality of the further tariffs that President Trump invoked under the International Emergency Economic Powers Act (IEEPA). Canadian prime minister Mark Carney has said he will re-open talks with the US when the time is right.

Shuhei Yamauchi, Seoul Treasury Office, East Asia Treasury Department

Korean Won – December 2025

Expected Ranges **Against the US$: KRW 1,420–1,490**
Against the yen: JPY 10.34–11.13 (KRW100)

1. Review of the Previous Month

The USD/KRW pair rose in November.

The pair opened the month trading at KRW1428.2. A number of FRB officials continued to voice caution about inflation, so expectations for an early FRB rate cut waned, with the dollar moving firmly and the won weakening. Furthermore, equity prices continued to undergo some correction on a sense that IT stocks and other stocks were overvalued. Semiconductor firms are a driving force of South Korea's economy, so more funds flowed out of South Korean stock markets, with the won falling further. However, the pair could not break above the key KRW1450 mark.

The won remained bearish mid-November. Investors bought the greenback after US government institutions re-opened. With stock markets also continuing to undergo adjustment, the pair temporarily hit KRW1475.4 on November 13. However, news emerged on November 14 that the South Korean government was in talks with the National Pension Service about introducing some measures to stabilize the won's exchange rate. The won was bought back on a surge in concerns about a market intervention, with the currency pair sliding to KRW1450.

These concerns continued to smolder, but there was strong pressure from funds flowing out of stock markets. The movements of the won are strongly correlated with those of the yen, so as the yen moved bearishly on concerns about Japanese fiscal expansion, the won was also sold again in the week beginning November 17, with the USD/KRW pair climbing to KRW1470 once again. Expectations for a December US rate cut flared again towards the month's end, so dollar buying eased and the currency pair's level fell slightly, with the pair trading around KRW1460 (as of 15:30 on November 26).

2. Outlook for This Month

The USD/KRW pair is expected to continue moving firmly in December.

Reasons for the won's recent bearishness include: fund outflows from South Korean stock markets on concerns about the future of AI-related demand; worries about supply and demand conditions on the huge amount of funds that South Korea agreed to invest in the US during South Korean/US tariff negotiations; and restrictions when it comes to monetary policy. At the recent BOK meeting, a majority of members voiced support for a further rate cut, but with the won weakening and real estate prices rising, it will be hard for the BOK to implement a rate cut given how this would lead to a weaker won.

The South Korean authorities have begun talks with the National Pension Service about introducing some measures to stabilize the won's exchange rate, but they have yet to announce any concrete measures. There are concerns that any moves might lessen the profitability of the National Pension Service, something that South Korean people depend on in their old age. The National Pension Service has already been mentioned in the US's

Macroeconomic and Foreign Exchange Policies of Major Trading Partners of the United States, with Seoul and Washington releasing a joint declaration in October about making currency interventions more transparent.

As such, it seems the South Korean government's hand are tied when it comes to preventing any sharp falls in the won's value. This will probably lead to more won selling, with the won continuing to face a tough environment towards the end of the year.

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

New Taiwan Dollar – December 2025

Expected Ranges	**Against the US$: NT$30.50–32.00**
	Against the yen: JPY4.7–5.2

1. Review of the Previous Month

The USD/TWD pair edged higher in November.

The pair opened the month trading at TWD30.760. The US dollar then strengthened in overseas markets, with the Taiwan dollar also pushed lower as overseas investors sold Taiwanese stocks and funds flowed out of Taiwan. The Taiwan dollar's losses were pared back for a time as exporters sold the greenback, but the pair then broke through the key TWD 31 mark as more overseas investors pulled funds out of Taiwan.

The US Treasury and the Central Bank of the Republic of China (Taiwan) released a joint declaration on foreign exchange policy mid-November. The declaration included measures to improve the transparency of currency interventions, for example. As investors remembered periods when the Taiwan dollar had risen sharply in the past, the Taiwan dollar was bought for a time and it also surged in offshore markets. However, the Central Bank of the Republic of China (Taiwan) soon released a statement about how the US had not called for Taiwan-dollar appreciation. The USD/TWD pair was also boosted as funds flow out of stocks and as state-owned banks and importers bought the US dollar, with the pair returning to its level from before the declaration. Thereafter, overseas investors continued to pull funds out of Taiwan. With Asian currencies also moving bearishly, the USD/TWD pair edged up to around TWD31.150.

The greenback continued to move firmly towards the month's end as expectations for a December FOMC rate cut waned. Furthermore, with US stocks falling sharply after the release of the US employment data, Taiwanese stocks also plummeted as overseas investors sold on balance. The Taiwan dollar was also sold, with the currency pair temporarily soaring to TWD31.450. In the end, the pair closed at TWD31.430, with the US dollar up sharply and the Taiwan dollar down sharply compared to the end of the previous month.

2. Outlook for This Month

In December the USD/TWD pair will move with a lack of direction on short-term pressure for US dollar appreciation and deep-rooted expectations that the Taiwan dollar will rise in the medium to long term.

The Taiwan dollar will move with a heavy topside in the near future as investors continue pulling funds out of Taiwan and as the US dollar strengthens across the globe on concerns about US monetary policy. If global risk sentiments worsen, investors might test the USD/TWD pair's topside again.

However, the brakes will probably be slammed on any one-sided movements. After the US and Taiwan made a joint declaration in November, the Central Bank of the Republic of China (Taiwan) now has an incentive to intervene to sell the US dollar to prevent the Taiwan dollar from falling sharply. The Taiwan dollar will also be supported on hearty real demand by exporters to sell the greenback (and buy the Taiwan dollar) towards the end of the year.

In the medium to long term, the Taiwan dollar will be bolstered by Taiwan's AI-fueled record current account surplus. There are also deep-rooted expectations that funds will flow back into Taiwan when US interest rates fall in future, with the Taiwan dollar supported by strong fundamentals. As a result, the USD/TWD pair will be pulled between short-term pressure for US dollar appreciation and the Taiwan dollar's structural strength, with the pair likely to jostle up and down in a range around TWD31.

Naoki Nohara, Hong Kong Treasury Office, East Asia Treasury Department

Hong Kong Dollar – December 2025

Expected Ranges **Against the US$: HK$7.7500–7.8000**
Against the yen: JPY19.50–20.50

1. Review of the Previous Month

In November, the USD/HKD pair jostled up and down in the lower range of its peg. US interest rates remained high as FRB chair Jerome Powell made some hawkish comments at the FOMC meeting held at the end of October. With the Hong Kong dollar also seeing stable supply and demand, the pair moved stably within a narrow range. However, the Hang Seng index fell towards the middle of the month, with Hong Kong equities also hit by risk aversion as US AI-related stocks faced some adjustment. There was also a dearth of major IPOs in November, with Hong Kong dollar short-term interest rates falling for a time as the unit faced a temporary slackening of supply and demand. The greenback was bought against the Hong Kong dollar on widening interest-rate differentials, with the USD/HKD pair climbing to HKD7.79. US interest rates were then adjusted downwards towards the month's end, with stock market corrections also taking a breather. There was also some demand for the Hong Kong dollar at the end of the month, with the currency pair pushed back to the lower side of its range.

A glance at the economic indicators shows Hong Kong's third quarter GDP growth rising from +3.1% y-o-y the previous quarter to hit +3.8% y-o-y, with Hong Kong's October employment rate also improving to 3.8%. The Hong Kong dollar was also supported by expanded exports and domestic demand, an improved business environment, and a recovery in tourism demand.

2. Outlook for This Month

In December, the USD/HKD pair will continue to trade around HKD7.75-7.80, in the lower half of its peg range. The US government shutdown has ended and delayed economic indicators are now being released again. With the FRB split between hawkish and dovish members, concerns are growing about the US labor market following the release of the September employment data, with market bets on a December FOMC rate cut moving around 80%. If the FOMC keeps rates fixed, the greenback might rise for a time, but the FRB will likely remain committed to further rate cuts from next year, with US interest rates expected to continue sliding at a gentle pace.

Meanwhile, Hong Kong dollar interest rates are moving firmly on end-of-year seasonal demand, with the USD/HKD pair set to move with a heavy topside as US/Hong Kong interest-rate differentials shrink. Furthermore, if Hong Kong stocks rise or there are signs of some new IPOs, the Hong Kong dollar will probably strengthen on increased demand, so caution will be needed.

As for risk factors, attention is focusing on who the next FRB chair will be. If a dove is chosen, the markets will move even faster to price in rate cuts, with the USD/HKD pair likely to weaken as the greenback is sold. However, when the pair approaches HKD7.75 in the lower half of its range, investors will grow wary of an intervention by the Hong Kong Monetary Authority (HKMA), with the pair likely to grow steadily firmer.

Takashi Nishitani, Treasury Department, MHBK (China)

Chinese Yuan – December 2025

Expected Ranges **Against the US$: CNY 7.0300–7.1100**
Against the yen: JPY 21.50–22.70

1. Review of the Previous Month

In November, the U.S. dollar/Chinese yuan exchange rate fell toward the end of the month.

At the beginning of the month, the U.S. dollar/Chinese yuan exchange market opened trading at the upper-CNY 7.11 level on November 3. In the middle of the week, multiple Federal Reserve Board (FRB) members made remarks exhibiting a cautious attitude toward a policy interest rate cut in December, and this kept the U.S. dollar from depreciating. As a result, on November 5, the U.S. dollar/Chinese yuan exchange rate rose and once reached the mid-CNY 7.13 level. However, toward the second half of the week, stock prices fell globally. Based on this fall of stock prices, risk-averse sentiment grew in the market, and market participants started to sell the U.S. dollar. Consecutively, on November 6, the trend reversed, and the U.S. dollar/Chinese yuan exchange rate fell to temporarily reach the upper-CNY 7.11 level. Then, on November 7, the October trade statistics for China were released, and the results turned out to be significantly below the market estimate and the previous month's results. As a consequence, the Chinese yuan depreciated slightly, the U.S. dollar/Chinese yuan exchange rate recovered to the CNY 7.12 level, and the U.S. dollar/Chinese yuan exchange market closed trading for the week at the same level.

On November 10, the following day, the U.S. dollar/Chinese yuan exchange market opened trading at around the CNY 7.12 level. On November 12, interest rates fell in the U.S., encouraging market participants to actively sell the U.S. dollar. As a result, the U.S. dollar/Chinese yuan exchange rate fell to temporarily reach the CNY 7.1100 level. On November 13, the House of Representatives in the U.S. passed a temporary budget proposal, and the U.S. government shutdown ended. Thus, market participants sold the U.S. dollar, bringing the U.S. dollar/Chinese yuan exchange rate fell below the CNY 7.10 mark, temporarily reaching the mid-CNY 7.09 level. On November 14, the U.S. dollar/Chinese yuan exchange market closed trading at the upper-CNY 7.09 level.

On November 17, the following day, the U.S. dollar/Chinese yuan exchange market opened trading at the lower-CNY 7.10 level. While pressure to buy the U.S. dollar increased, the U.S. dollar/Chinese yuan exchange rate rose to temporarily approach the CNY 7.12 level on November 20. On the same day, the September employment statistics of the U.S. were released with both strong and weak figures, immediately after which the U.S. dollar/Chinese yuan exchange rate fell below the CNY 7.11 level. Thereafter, the fall of the exchange rate was offset. On November 21, the U.S. dollar/Chinese yuan exchange market closed at the mid-CNY 7.10 level.

On November 24, the following day, the U.S. dollar/Chinese yuan exchange market opened trading at the mid-CNY 7.10 level. On November 25, the U.S. dollar/Chinese yuan exchange rate fell below the CNY 7.10 mark, reaching the mid-CNY 7.09 level. Thereafter, the media reported on the selection of the next FRB Chair on the same day, local time, in the U.S., and this encouraged market participants to sell the U.S. dollar in the overall foreign exchange market. Following this trend, the U.S. dollar/Chinese yuan exchange rate renewed its low of the year, reaching the mid-CNY 7.08 level.

2. Outlook for This Month

The U.S. dollar/Chinese yuan exchange rate is forecast to fall in December.

After the summit dialogue between the U.S. and China held at the end of October, concerns over the trade frictions between the U.S. and China were mitigated temporarily. Thus, from a short-term perspective, there have been less risks of Chinese yuan depreciation. Furthermore, the People's Bank of China (PBOC) central parity rate has been set increasingly toward a stronger Chinese yuan. On November 26, the PBOC central parity rate was set at the CNY 7.07 level for the first time since October last year. Following the PBOC central parity rate, the Chinese yuan is gradually appreciating also in terms of the actual U.S. dollar/Chinese yuan trading rate. This trend is likely to continue in December and beyond. From the viewpoint of technical analysis as well, the appreciation of the Chinese yuan may slightly strengthen in the times ahead, as the U.S. dollar/Chinese yuan exchange rate fell well below the CNY 7.10 level, which had so far been considered as the support line. Market participants are therefore advised to attentively observe the fluctuations in the U.S. dollar/Chinese yuan exchange market.

In the U.S., on the other hand, the U.S. government shutdown ended after a long time, and the announcement of U.S. economic indices, which was suspended during the shutdown, resumed. There is still no sufficient data to be considered at the next Federal Open Market Committee (FOMC) meeting scheduled for December 9 and 10. However, based on remarks by FRB officials, the market has started to gradually reflect the U.S. policy interest rate cuts again for the first time since October. It is also worth noting that the media pointed to the director of the National Economic Council, Kevin Hassett, as the most-promising candidate for the post of next FRB Chair. Because Kevin Hasset is known for is dovish attitude, the policy interest rate is expected to be cut continuously. Under such circumstances, the U.S. dollar/Chinese yuan exchange rate is most likely to fall in December.

Ayumi Kiyota, Asia & Oceania Treasury Department

Singapore Dollar – December 2025

Expected Ranges **Against the US$: SG$ 1.2850–1.3100**
Against the yen: JPY 117.50–121.50

1. Review of the Previous Month

In November, the U.S. dollar/Singapore dollar exchange rate exceeded the SGD 1.30 mark, which the exchange rate only sporadically reached since April this year. Throughout the month of November, the U.S. dollar/Singapore dollar exchange rate continued fluctuating generally within a range between SGD 1.30 and SGD 1.31. This is mainly because of the fact that market participants actively bought the U.S. dollar based on the diminishing expectations for policy interest rate cuts in the U.S.

On November 3, the U.S. dollar/Singapore dollar exchange market opened trading at around the SGD 1.30 level. At the beginning of the month, expectations for policy interest rate cuts in the U.S. diminished, which strengthened the U.S. dollar against other currencies. Under such circumstances, the Singapore dollar weakened against the U.S. dollar.

Furthermore, a temporary budget proposal was approved on November 14, fueling expectations for an end to the government shutdown in the U.S. that had continued since the beginning of October. In reaction, market participants started to temporarily sell the U.S. dollar in advance, and the U.S. dollar/Singapore dollar exchange rate fell below the SGD 1.30 level. However, this trend did not last for a long time, and the market reacted to this phenomenon only to a limited extent.

It is also worth noting that, in the U.S., Federal Reserve Board (FRB) officials made multiple remarks to oppose policy interest rate cuts at the December Federal Open Market Committee (FOMC) meeting, and this diminished expectations for policy interest rate cuts in the U.S. in December. As a result, market participants started to buy the U.S. dollar again. As the U.S. dollar strengthened against the overall Asian currencies, the U.S. dollar/Singapore dollar exchange rate rose to reach the upper-SGD 1.30 level on November 20. The Singapore dollar continued depreciating against the U.S. dollar.

However, on November 21, the third-quarter GDP for Singapore was announced, and the growth rate turned out to be significantly stronger than the market estimate. Moreover, other major economic indices for Singapore, such as CPI and industrial production, were subsequently announced, and the results all turned out to be strong. Around the same time, expectations for policy interest rate cuts in the U.S. grew again, and short-term interest rates in the U.S. fell. As a result, toward, the end of the month, the Singapore dollar appreciated gradually against the U.S. dollar. At the end of the month, the U.S. dollar/Singapore dollar exchange rate fluctuated at a level slightly below SGD 1.30.

2. Outlook for This Month

The U.S. dollar/Singapore dollar exchange rate is forecast to remain low in December.

At the FOMC meeting held in the U.S. at the end of October, the policy interest rate was cut by 25 basis points, and balance sheet reduction was ended—as had been anticipated in the market. Even though these decisions had already been reflected in the market, FRB Chair Jerome Powell commented that it was not certain for the FOMC to cut its policy interest rate at the December meeting. Therefore, market participants are advised to remain cautious regarding the possibility of a policy rate cut at the December FOMC meeting and the resulting fluctuations in the U.S. dollar/Singapore dollar exchange market. There are also credit concerns surrounding regional banks in the U.S. and concerns over frictions between the U.S. and China. Even though these factors have already been reflected in the market, market participants are advised to continue paying attention as additional headlines related to these issues, which could impact the foreign exchange market.

In Singapore, on the other hand, the third-quarter GDP (preliminary figure) turned out to be +2.9% year-on-year, which was stronger than the market estimate—once again confirming the robustness of Singapore's economy. In terms of the price level in Singapore as well, the October CPI turned out to be +1.2% year-on-year, significantly exceeding the market estimate—recording the highest figure in approximately nine months. The price level had been low until the previous month, but the situation reversed, and inflation is now accelerating.

In the times ahead, the Monetary Authority of Singapore (MAS) will maintain its principle to manage monetary policy by paying attention to economic indices. In response to the robustness of the recent domestic economy and unexpected acceleration of inflation, fewer market participants are expecting an additional measure of monetary easing at the next regular meeting at MAS scheduled for January 2026.

If monetary policy in Singapore continues to move away from monetary easing in relative terms compared to monetary policy in the U.S., the Singapore dollar is expected to strengthen against the U.S. dollar, and the U.S. dollar/Singapore dollar exchange rate is forecast to remain low.

Reina Okazaki, Bangkok Treasury Office, Asia & Oceania Treasury Department

Thai Baht – December 2025

Expected Ranges **Against the US$: THB 31.50–32.90**
Against the yen: JPY 4.50–4.90

1. Review of the Previous Month

At the beginning of the month, the U.S. dollar/Thai baht exchange market opened trading at the lower-THB 32 level. Due to cautious remarks made by Federal Reserve Board (FRB) officials regarding additional policy interest rate cuts as well as a decline in the price of gold, the U.S. dollar/Thai baht exchange rate rose gradually and reached the lower-THB 32.60 level on November 4. However, on November 5, the price of gold rallied, and, partially because of that, the U.S. dollar/Thai baht exchange rate also rallied to the lower-THB 32.30 level. Thereafter, there were few factors that influenced the market, and the U.S. dollar/Thai baht exchange rate continued fluctuating within a narrow range between the lower-THB 32.30 level and the lower-THB 32.40 level. On November 12, expectations grew for the reopening of U.S. government offices, and this occasionally brought the U.S. dollar/Thai baht exchange rate to the lower-THB 32.50 level. Yet, this trend did not last, and even after the re-opening of the U.S. government has become certain, the U.S. dollar weakened, and the U.S. dollar/Thai baht exchange rate fell to the lower-THB 32.30 level. On November 14, the media reported that the U.S. and Switzerland had reached an agreement on tariffs, which led the U.S. dollar/Thai baht exchange rate to rally and reach the upper-THB 32.40 level. On November 17, the third-quarter GDP for Thailand was announced, and the result turned out to be below the market estimate. However, the market reacted only to a limited extent. Furthermore, the November U.S. manufacturing index turned out to be above the market estimate. As a consequence, the U.S. dollar/Thai baht exchange rate rose to reach the upper-THB 32.40 level but did not rise further from that level. On November 18, the number of new unemployment insurance claims was announced after some period of postponement. In reaction, the U.S. dollar/Thai baht exchange rate fell to the upper-THB 32.30 level. However, on November 19, the following day, the minutes of an October Federal Open Market Committee (FOMC) meeting was released, revealing that many FOMC members had evaluated a policy interest rate cut at the December meeting as being inappropriate. In reaction, the U.S. dollar/Thai baht exchange rate rose to the upper-THB 32.40 level. On November 20, the U.S. dollar/Thai baht exchange rate fell to the lower-THB 32.30 level due to the figures in the indices related to the employment market in the U.S. However, on November 21, the U.S. dollar/Thai baht exchange rate rallied to temporarily reach the lower-THB 32.50 level, but once the media reported on the dovish remarks made by FRB officials, the U.S. dollar/Thai baht exchange rate was pushed down again and reached the lower-THB 32.40 level. On November 24, FRB officials made remarks to support a policy interest rate cut at the December FOMC meeting, and this led the U.S. dollar/Thai baht exchange rate to fall to the upper-THB 32.30 level. Then, on November 26, the October trade balance for Thailand was announced and the trade deficit turned out to be larger than the market estimate. However, the U.S. dollar/Thai baht exchange rate rallied only to a limited extent. Thereafter, U.S. economic indices turned out to be weaker than the market estimate. Under such circumstances, the U.S. dollar/Thai baht exchange rate fell to the lower-THB 32.20 level toward November 27.

2. Outlook for This Month

In December, an FOMC meeting is scheduled for December 10 and 11. As a policy interest rate cut in the U.S. becomes increasingly probable, the U.S. dollar is expected to depreciate, in general. However, political uncertainty is recently growing in Thailand, and this may weaken the Thai baht from a short-term perspective. Thus, market participants are advised to remain careful.

At the beginning of September, Anutin Charnvirakul was elected to be prime minister of Thailand in anticipation of the dissolution of the government and general elections within four months, as well as constitutional reforms and a referendum for the drafting of a new constitution. Since then, it was mainly expected that the Thai House of Representatives (lower house) would be dissolved by the end of January next year and that general elections would be carried out at the end of March. However, currently, opposition parties are preparing to submit a no-confidence motion against the ruling coalition over a lack of transparency in the government in handling issues surrounding borders with Cambodia as well as suspicious fund movements involving some bureaucrats. Under such circumstances, the new prime minister of Thailand, Anutin Charnvirakul, is ready to dissolve the lower house and expressed his wish to avoid taking responsibility. As a consequence, it is possible for the lower house to be dissolved on December 12 at the earliest, and general elections might be carried out at the end of January, within 45 to 60 days after the royal proclamation of dissolution. Thus, during the first half of December, pressure to sell the Thai baht is likely to strengthen, as risk-averse sentiment is expected to increase due to headlines related to political matters. On the other hand, even if a no-confidence motion is submitted, the vote may be postponed until after the New Year holidays due to delays in coordination among opposition parties or possible negotiations between the ruling coalition and the opposition parties held behind scenes. In such a case, market participants might buy back the Thai baht thereafter. For these reasons, the U.S. dollar/Thai baht exchange rate is expected to continue fluctuating in accordance with monetary policy in the U.S. in December. Yet, market participants are advised to remain careful about sporadic increases in downward pressure on the Thai baht and its subsequent rallying.

Kazuhiro Suzuki, Mizuho Bank (Malaysia) Berhad

Malaysian Ringgit – December 2025

Expected Ranges **Against the US$: MYR 4.1100–4.1700**
Against the yen: JPY 36.50–39.00

1. Review of the Previous Month

In November, the Malaysian ringgit appreciated to its highest rate against the U.S. dollar in approximately 13 months. At the beginning of the month, the U.S. dollar/Malaysian ringgit exchange market opened trading at around the MYR 4.19 level. Thereafter, the depreciation of the U.S. dollar observed at the end of the previous month was unwound while the October ISM manufacturing industry business confidence index for the U.S. turned out to be weak. As a result, the U.S. dollar/Malaysian ringgit exchange rate rose to reach the upper-MYR 4.20 level. However, there was only limited economic data for the U.S. Under such circumstances, the monetary policy in the U.S. remained uncertain, and buybacks of the U.S. dollar gradually decreased. On November 6, the monetary policy committee meeting was held at the central bank of Malaysia, and the policy interest rate was maintained at the existing level—as had been anticipated in the market. However, some market participants bought the Malaysian ringgit by positively evaluating the resilience of the Malaysian economy. On November 7, the Malaysian ringgit remained strong, as fewer market participants expected the central bank of Malaysia to cut its policy interest rate in the times ahead, and this created a stark contrast to the situation in the U.S. Once the media reported a possible end to the government shutdown in the U.S., the U.S. dollar/Malaysian ringgit exchange rate fell further.

In the middle of the month, short-term actions led the U.S. dollar/Malaysian ringgit exchange rate to fall temporarily below the MYR 4.12 level. However, at this level, the fall of the exchange rate slowed down, as some market participants saw it unnatural for the U.S. dollar/Malaysian ringgit exchange rate to fall one-sidedly. Even though indices related to employment in the private sector in the U.S. revealed declines, the market trend did not reverse, and the U.S. dollar/Malaysian ringgit exchange rate remained at the highest rate for the Malaysian ringgit in approximately 13 months. On November 17, cautious feelings grew in the market, as the release of U.S. economic indices were to resume with the re-opening of U.S. government offices. At the same time, the sharp appreciation of the Malaysian ringgit was adjusted, as it did not match the fundamentals. Under such circumstances, the U.S. dollar/Malaysian ringgit exchange rate quickly climbed to reach the upper-MYR 4.17 level. On November 19, October trade statistics for Malaysia were released, and both imports and exports turned out to be significantly above the market estimate. However, the U.S. dollar/Malaysian ringgit exchange rate did not fall further from the MYR 4.15 level, as September employment statistics for the U.S. were to be announced on November 20. The U.S. employment statistics were subsequently released, and the total payroll employment rose by 119,000 in September, significantly exceeding the market estimate, although the data for August was revised downward to a negative figure. Yet, this was not seen as a decisive factor for the Federal Reserve Board (FRB) decision. At the end of the month, the U.S. dollar/Malaysian ringgit exchange rate fell again because of a sense of relief in the market after the announcement of the U.S. employment statistics as well as a fall in interest rates in the U.S. in response to discussions on the next FRB Chair candidates. On November 26, the U.S. dollar/Malaysian ringgit exchange market closed trading at the MYR 4.13 level.

2. Outlook for This Month

In December, the Malaysian ringgit is forecast to remain strong against the U.S. dollar, as market participants are expecting the Malaysian government to achieve the growth target, even though there will likely be some market participants buying the U.S. dollar based on actual demand for the end of the year.

At the end of the first half of FY2025, a decrease in trade volume was expected in Malaysia toward the fourth quarter, due to the influence of the tariffs policy in the U.S. However, in reality, the trade statistics for the fourth quarter turned out to be robust, possibly thanks to last-minute transactions before the implementation of the tariffs. Furthermore, there was a net buy from foreign investors since the beginning of the year in the bond and stock markets in Malaysia. Market participants have growing expectations for the growth of Malaysia, having seen the country with a constant trade surplus as well as a relatively stable economy and politics compared to its neighboring nations. Thus, short-term capital inflows are likely to continue in the times ahead, to which domestic factors are influencing favorably.

In terms of external factors, market participants seem to be more interested in economic conditions and monetary policy in the U.S. rather than geopolitical risks. The last Federal Open Market Committee (FOMC) meeting of 2025 is scheduled to open on December 10, and the dot plot will be renewed. As of the September meeting, there was a gap between the outlook by FOMC members and the estimate in the monetary market. Thus, market participants are advised to carefully observe how this will change in December. At the end of November, FRB officials made a series of remarks to support a policy interest rate cut, leading the estimated probability for a policy interest rate cut in December to come back to the original level after a decline. Depending on the outcome of the FOMC meeting in December, the expected target level of the policy interest rate may change. In such a case, the difference in monetary policy would grow bigger between the U.S. and Malaysia, further strengthening the Malaysia ringgit against the U.S. dollar.

It is now the season in which market participants tend to buy the U.S. dollar. However, as there are positive factors to support the Malaysian ringgit, the Malaysian ringgit is mainly forecast to remain strong against the U.S. dollar.

Taro Anabuki, Asia & Oceania Treasury Department

Indonesian Rupiah – December 2025

Expected Ranges	**Against the US$: IDR 16,500–16,800**
	Against the yen: JPY 0.9200–0.9500 (IDR 100)

1. Review of the Previous Month

In November, 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 mid-IDR 16,600 level. On November 3, multiple Federal Reserve Board (FRB) members expressed a cautious attitude toward a policy interest rate cut. As a result, market participants started to actively buy the U.S. dollar, and the U.S. dollar/Indonesian rupiah exchange rate rose to temporarily reach the mid-IDR 16,700 level. On November 10, Indonesia announced its plan to redenominate the Indonesian rupiah, which led the U.S. dollar/Indonesian rupiah exchange rate to fall to temporarily reach the mid-IDR 16,600 level. On November 12, the central bank of Indonesia commented that the GDP growth rate was expected to reach 5.3%, making it possible to achieve the government's target rate at 5.4%, and there was still room for policy interest rate cuts. In reaction, market participants started to actively sell the Indonesian rupiah. As a result, the U.S. dollar/Indonesian rupiah exchange rate fluctuated at the lower-IDR 16,700 level. Then, on November 13, the U.S. government shutdown ended, which strengthened the U.S. dollar and weakened the Indonesian rupiah. Consecutively, the U.S. dollar/Indonesian rupiah exchange rate rose to the mid-IDR 16,700 level.

On November 18, the number of new unemployment insurance claims was announced after the period of postponement that resulted from the U.S. government shutdown. The result turned out to be stronger than the market estimate, which encouraged market participants to actively buy the U.S. dollar. Thus, the U.S. dollar/Indonesian rupiah exchange rate rose to the upper-IDR 16,700 level. On November 19, the U.S. dollar/Indonesian rupiah exchange rate was fluctuating within a narrow range, as the regular meeting of the central bank of Indonesia was to be held on the same day. In the afternoon, the central bank decided at the regular meeting to maintain the seven-day reverse repo rate, which is the policy interest rate of Indonesia, at 4.75%. In reaction, the Indonesian rupiah appreciated, and the U.S. dollar/Indonesian rupiah exchange rate fell to the upper-IDR 16,600 level. However, after market closing, the central bank released a comment that the timing and scale of future policy interest rate cuts would depend on economic indices, leaving more room for policy interest rate cuts. As a consequence, the U.S. dollar/Indonesian rupiah exchange rate rallied to reach the mid-IDR 16,700 level. Thereafter, some market participants bought the Indonesian rupiah at this level, which led the U.S. dollar/Indonesian rupiah exchange rate to gradually fall. On November 26, multiple officials from the FRB expressed their support for a policy interest rate cut at the December Federal Open Market Committee (FOMC) meeting, and this caused the U.S. dollar/Indonesian rupiah exchange rate to fall to temporarily reach the mid-IDR 16,600 level.

2. Outlook for This Month

In December, the Indonesian rupiah is forecast to weaken against the U.S. dollar.

At the monetary policy meeting held in November, the central bank of Indonesia decided to maintain the BI rate—its policy interest rate—at 4.75%, which was the second consecutive decision to maintain the policy interest rate at the existing level. The central bank statement and the press conference of the central bank governor of Indonesia, Perry Warjiyo, both emphasized the importance of stability in the Indonesian rupiah exchange market as well as the inflation rate and support for economic growth. With regard to the U.S. dollar/Indonesian rupiah exchange market, the U.S. dollar/Indonesian rupiah exchange rate reached the IDR 16,700 level in September due to growing concerns over deteriorating fiscal conditions. Since then, the exchange rate rallied temporarily but returned to the IDR 16,700 level again in November. Based on the trend seen this year, the central bank of Indonesia postpones a policy interest rate cut when the U.S. dollar/Indonesian rupiah exchange rate is close to the IDR 16,700 level. Thus, the central bank of Indonesia may have postponed a policy interest rate cut in November partially because of the current exchange level. Furthermore, from the viewpoint of inflation, the October Consumer Price Index (CPI) turned out to be +2.86%, recording an acceleration from the previous month, exceeding +2.64%, which was the market estimate. Under such circumstances, while indicating its plan to continue cutting its policy interest rate to support economic growth, the central bank of Indonesia decided to maintain its policy interest rate at the existing level in November, as was the case with the previous month. In the times ahead, the central bank of Indonesia is likely to resume policy interest rate cuts as long as the inflation outlook remains low within the target range and unless the Indonesian rupiah depreciates significantly.

In the U.S. dollar/Indonesian rupiah exchange market, the Indonesian rupiah is forecast to depreciate, due to a possible policy interest rate cut. However, there is also some demand to buy the Indonesian rupiah when the U.S. dollar/Indonesian rupiah exchange rate rises, exceeding the IDR 16,700 level. Furthermore, it is also possible for the central bank of Indonesia to intervene in the foreign exchange market. Thus, the depreciation of the Indonesian rupiah is likely to be under control to some extent. For these reasons, the U.S. dollar/Indonesian rupiah exchange rate is forecast to remain high, with the U.S. dollar remaining strong and the Indonesian rupiah remaining weak.

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

Philippine Peso – December 2025

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

1. Review of the Previous Month

In November, the U.S. dollar/Philippine peso exchange rate was at a stalemate at around the PHP 59 level—the all-time low for the Philippine peso.

At the beginning of the month, the U.S. dollar/Philippine peso exchange market opened trading at PHP 58.80. Subsequently, market participants actively bought the Philippine peso expecting the October price statistics for the Philippines to be stronger than the market estimate. As a result, the Philippine peso strengthened against the U.S. dollar, and the U.S. dollar/Philippine peso exchange rate once reached PHP 58.51. However, in reality, the October price statistics turned out to be slightly below the market estimate, which encouraged market participants to buy back the U.S. dollar. As a result, the U.S. dollar/Philippine peso exchange rate returned to the PHP 59 level again. Yet, market participants remained cautious about the U.S. dollar/Philippine peso exchange rate rising, having seen the U.S. dollar/Philippine peso reach its all-time low at PHP 59.26 at the end of October, after which the Philippine peso strengthened significantly. Thus, the U.S. dollar/Philippine peso exchange rate remained at a stalemate at around the PHP 59.10 level. Thereafter, the third-quarter GDP for the Philippines turned out to be weak, at +4.0% year-on-year, whereas the market estimate was +5.2% year-on-year. As a result, on November 12, the Philippine peso reached PHP 59.17, renewing its all-time low against the U.S. dollar at the closing-rate basis for the first time in approximate two weeks. On the other hand, there were few reasons for market participants to actively buy the U.S. dollar, as U.S. economic indices had not been released for a while. Therefore, the U.S. dollar/Philippine peso exchange rate continued fluctuating without moving in any direction at around PHP 59. In the middle of November, the U.S. government shutdown, which continued for the longest period in history, finally ended. However, concerns in the market persisted regarding economic loss during the shutdown. Under such circumstances, the release of U.S. economic indices resumed gradually at the end of November with generally weak figures. While long-term interest rates were falling in the U.S., the U.S. dollar/Philippine peso exchange rate also fell slightly to the upper-PHP 58 level. In the end, the U.S. dollar/Philippine peso pair continued trading at the upper-PHP 58 level until the end of November.

2. Outlook for This Month

In December, the U.S. dollar/Philippine peso exchange rate is forecast to fluctuate nervously, reacting to central bank events in both the U.S. and the Philippines.

Thus far, the central bank of the Philippines has been more-frequently suggesting that a policy interest rate cut would take place at its meeting scheduled for December 11, even though the decision is supposed to follow the

November price statistics that are to be out on December 5. The central bank of the Philippines seems confident about supporting the economy after a decline in the third-quarter GDP as well as controlling the inflation rate, by stating that such issues had already been taken into consideration. On the other hand, the central bank maintains a relaxed attitude regarding the level of the U.S. dollar/Philippine peso exchange rate, commenting that there is no urgent necessity to intervene in the foreign exchange market. However, even under such conditions, market participants have persistent caution against market interventions when the Philippine peso is weak.

It is also worth noting that there has been changing expectations regarding whether or not the Federal Open Market Committee (FOMC) will cut its policy interest rate in the U.S. at the next meeting. Some FOMC members made unfavorable remarks about a policy interest rate cut in December, temporarily diminishing expectations for policy interest rate cuts among market participants. However, U.S. economic indices have gradually been released with weak figures, and expectations are growing again for a policy interest rate cut. Even if there are some strong figures in the U.S. economic indices, it would only encourage market participants to buy the U.S. dollar in a temporary manner. Or, if the U.S. economic indices remain weak, both the U.S. dollar and the Philippine peso would have factors to sell, and the U.S. dollar/Philippine peso exchange is likely to fluctuate at around the PHP 58 level. Risk scenarios include a surprising decision by the FOMC to maintain its policy interest rate at the existing level, which would encourage market participants to buy back the U.S. dollar. Every year, market transactions tend to accelerate from the middle of December. Thus, after the central bank's event, market participants adjust positions rapidly, and the U.S. dollar/Philippine peso exchange rate is likely to move rapidly as well.

Shino Kihara, India Treasury Office, Asia & Oceania Treasury Department

Indian Rupee – December 2025

Expected Ranges	**Against the US$: INR 88.00–90.50**
	Against the yen: JPY 1.66–1.86

1. Review of the Previous Month

In November, the U.S. dollar/Indian rupee exchange rate moved remarkably, exceeding the INR 89 mark.

After reaching an all-time low in October, the U.S. dollar/Indian rupee exchange market opened trading in November at the upper-INR 88 level. At the beginning of the month, the Reserve Bank of India (RBI) intervened in the foreign exchange market when the U.S. dollar/Indian rupee exchange rate was about to reach INR 88.80, in order to keep the exchange rate from rising further. Thereafter, the U.S. dollar/Indian rupee exchange rate continued fluctuating within a narrow range. Toward the last week of the month, the U.S. dollar/Indian rupee exchange rate exceeded the INR 89 mark, which was seen as the support line, renewing the all-time low for the Indian rupee near the mid-INR 89 level. This is based on the fact that the Indian rupee depreciated sharply due to what seem to be stop-loss orders. However, the RBI intervened in the foreign exchange market once again to keep the U.S. dollar/Indian rupee exchange rate from rising further, which brought the exchange rate temporarily back to the lower-INR 89 level (as of November 25).

The BSE SENSEX index started trading at the upper-83,000 level. Subsequently, market participants sold stocks to take profit. As a result, the index once fell below the 83,000 level. However, the index did not fall further, and in the middle of the month, it rallied to renew its all-time high (as of November 25). Also, in October, there was a net buy of Indian stocks from foreign investors, but in November, there was an overall small capital outflow due to the sell pressure seen at the beginning of November.

In terms of economic indices for India, the October trade balance revealed an all-time largest trade deficit, at USD 41.7 billion. This may be because of the fact that the appreciation of the price of gold, a major import, overlapped with the season of ceremonies and festivals. The October Consumer Price Index (CPI) turned out to be +0.25% year-on-year—the all-time low—as a result of the fall of food prices, showing a slowdown from September, for which the result was +1.54% year-on-year. However, the impact of the base effect must also be taken into account.

2. Outlook for This Month

The Indian rupee may remain weak against the U.S. dollar in December.

In November, the Indian rupee renewed its all-time low, and the U.S. dollar/Indian rupee exchange rate exceeded the INR 89 mark. However, the RBI intervened in the foreign exchange market thereafter, and the rise of the exchange rate was controlled temporarily. While uncertainty persists regarding the tariff negotiations between the U.S. and India, the Indian rupee is expected to remain weak, also with transactions based on actual demand. Even though the Indian rupee is unlikely to depreciate significantly, the fluctuation range of the U.S. dollar/Indian rupee exchange rate will inevitably move upward, gradually approaching the INR 90 mark, about which market participants are advised to remain careful.

The October CPI recorded its all-time lowest growth, in reaction to which RBI governor, Sanjay Malhotra, mentioned the possibility of a policy interest rate cut. Thus, at the monetary policy committee (MPC) meeting scheduled for December, the RBI is expected to cut its policy interest rate by 0.25% for the first time in half a year.

As the RBI maintains a relaxed attitude about Indian rupee exchange rates, the U.S. dollar/Indian rupee exchange rate remains more volatile compared to the past. The RBI is likely to continue intervening in the foreign exchange market to keep the U.S. dollar/Indian rupee exchange rate from rising further and exceeding a new benchmark. However, overall, this would not end up in a dramatic change in the trend. Thus, the Indian rupee is forecast to remain weak and to continue gradually depreciating against the U.S. dollar in the times ahead.

This report was prepared based on economic data as of November 28, 2025.