

Overview (25/11/2022 – 2/12/2022): While the last month has seen emerging market currencies strongly gain against the USD due to aggressive rate hikes and Jerome Powell's comments on slower rate hikes from December, the USD is still the best currency to hold until the Fed starts pivoting by cutting interest rates and injecting liquidity into the economy

Currency (as of 2 nd Dec 2022)	Closing Price on Thu (1 st Dec)	WoW ¹ (1 st Dec v 24 th Nov) %	Key Economic Indicators	Key View	Prediction (Q4FY22)
USD ² / PHP ³ Philippines	56.2050	(0.73%)	<p>Sovereign Rating: BBB (Fitch)</p> <p>Inflation: 7.7% YoY⁴ (Oct'2022)</p> <p>Interest rate: 5% (Nov'2022) (Trading Economics)</p> <p>Current account balance (% of GDP⁵): -1.52</p> <p>Gen. Gov't balance (% of GDP): -4.83</p> <p>Gen. Gov't debt (% of GDP): 53.41 (31 Dec 2021 FY, Fitch)</p> <p>Unemployment (% of labour force): 5.252</p> <p>Unemployed population: ~2.53m (Q3FY2022E, Euromonitor / ILO)</p>	High food prices and second round effects from global commodity prices is expected to continue to add to inflationary pressures (7.7% YoY inflation highest since Dec 2008). The above-target inflation and tightening monetary conditions means that BSP rate hike cycle has further to run (no jumbo rate hikes). However, President Ferdinand's proposed budget for 2023 is expected to support growth (4.9% higher than 2022 budget). The PHP's surprising strength was driven by USD pullback amid expectations of a slowdown in Fed rate hikes and expected increase in remittances	57.1832 ↑
USD / IDR ⁶ Indonesia	15,563	(0.66%)	<p>Sovereign Rating: BBB (Fitch)</p> <p>Inflation: 5.42% YoY (Oct'2022)</p> <p>Interest rate: 5.25% (Nov'2022) (Trading Economics)</p> <p>Current account balance (% of GDP): 0.29</p> <p>Gen. Gov't balance (% of GDP): -4.62</p> <p>Gen. Gov't debt (% of GDP): 41.15 (31 Dec 2021 FY, Fitch)</p> <p>Unemployment (% of labour force): 6.345</p> <p>Unemployed population: ~9.04m (Q3FY2022E, Euromonitor / ILO)</p>	The IDR is expected to continue to weaken in the short term as it remains vulnerable amid tightening credit conditions around the world. With inflation still above Bank of Indonesia's 4% ceiling, rate hikes are expected to come by end of year (5.5% policy rate). Bank of Indonesia expected to maintain a front-loaded and pre-emptive interest rate policy next year to control inflation, according to Governor Perry Warjiyo. However, mounting growth headwinds as a result of weakening global demand and a moderation in the pace of tightening by major central banks could imply monetary easing in 2023.	15,776.6 ↑
USD / MXN ⁷ Mexico	19.1303	(1.29%)	<p>Sovereign Rating: BBB- (Fitch)</p> <p>Inflation: 8.41% YoY (Oct'2022)</p> <p>Interest rate: 10% (Nov'2022) (Trading Economics)</p> <p>Current account balance (% of GDP): -0.38</p> <p>Gen. Gov't balance (% of GDP): -2.99</p> <p>Gen. Gov't debt (% of GDP): 47.04 (31 Dec 2021 FY, Fitch)</p> <p>Unemployment (% of labour force): 3.433</p> <p>Unemployed population: ~2.08m (Q3FY2022E, Euromonitor / ILO)</p>	Decelerating real GDP growth, rapid inflation, ongoing constitutional reforms – particularly targeting the energy sector – and the approaching 2024 general elections are expected to be key trends shaping the Mexican economy. Growth is expected to slow to 2% in 2022 and 1.4% in 2023 as inflation and interest rates stay elevated, external demands softens and investment remains weak. Mexico also posted US\$5.35B remittances from workers abroad, helping bolster the MXN as well and keeping MXN to be one of the best performing currencies against the USD this year	19.6489 ↑
USD / VND ⁸ Vietnam	24,510	(1.32%)	<p>Sovereign Rating: BB (Fitch)</p> <p>Inflation: 4.37% YoY (Nov'2022)</p> <p>Interest rate: 6% (Oct'2022) (Trading Economics)</p> <p>Current account balance (% of GDP): -1.04</p> <p>Gen. Gov't balance (% of GDP): -3.50</p> <p>Gen. Gov't debt (% of GDP): 39.32 (31 Dec 2021 FY, Fitch)</p> <p>Unemployment (% of labour force): 2.280</p> <p>Unemployed population: ~1.18m (Q3FY2022E, Euromonitor / ILO)</p>	The VND looks set to continue weakening in the very near term due to aggressive monetary tightening in the US, while low foreign reserves mean that the State Bank of Vietnam (SBV) will not be able to provide offsetting support for the currency. However, a narrowing in Vietnam's current account deficit (which was initially caused by Mainland China's lockdown-induced trade disruption), aggressive domestic policy rate hikes (exp. 7% by end of year), and a pause in the Fed's tightening cycle are likely to help stabilize the VND in the end of 2023	24,868.9 ↑

Key: 1. Week-over-Week 2. US Dollar 3. Philippine Peso 4. Year-over-Year 5. Gross Domestic Product 6. Indonesia Rupiah 7. Mexican Peso 8. Vietnam Dong

Sources:

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3. <https://www.bworldonline.com/banking-finance/2022/11/27/489637/peso-may-continue-to-strengthen-against-the-dollar-ahead-of-key-data/>
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Database:

1. Fitch Connect
2. Euromonitor International / Passport
3. Trading Economics
4. Bloomberg

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