

Overview (2/12/2022 to 9/12/2022): Signs of potential softening of rate hike plans by the US Fed, coupled with an improving outlook for China and central banks' hawkish stances, is expected to drive gains in emerging market currencies

Currency (as of 9 th Dec 2022)	Closing Price on Thu (8 th Dec)	WoW ¹ (8 th Dec v 1 st Dec) %	Key Economic Indicators	Key View	Prediction (Q4FY22)
USD² / PHP³ Philippines	55.36	(1.5%)	Sovereign Rating: BBB (Fitch) Inflation: 8% YoY ⁴ (Nov'2022) Interest rate: 5% (Nov'2022) (Trading Economics) Current account balance (% of GDP⁵): -1.52 Gen. Gov't balance (% of GDP): -4.83 Gen. Gov't debt (% of GDP): 53.41 (31 Dec 2021 FY, Fitch) Unemployment (% of labour force): 5.252 Unemployed population: ~2.53m (Q3FY2022E, Euromonitor / ILO)	Annual inflation showed a surge from 7.7% YoY (Oct'2022) to 8.0% YoY (Nov'2022) on the back of higher food costs, reinforcing expectations of monetary tightening by the central bank later this month. BSP has lifted rates 6 times this year and its governor hinted at another hike of 25 to 50 bps at the Dec.15 meeting. Seasonal remittances, stock inflows and a reaction to the drop in the October unemployment rate are all vying as catalysts to PHP's expected gains. News about China loosening some of the world's toughest COVID-19 restrictions will further aid risk sentiments in order to support the PHP.	56.1957
USD / IDR⁶ Indonesia	15,621	0.37%	Sovereign Rating: BBB (Fitch) Inflation: 5.42% YoY (Nov'2022) Interest rate: 5.25% (Nov'2022) (Trading Economics) Current account balance (% of GDP): 0.29 Gen. Gov't balance (% of GDP): -4.62 Gen. Gov't debt (% of GDP): 41.15 (31 Dec 2021 FY, Fitch) Unemployment (% of labour force): 5.86 Unemployed population: ~8.42m (Q3FY2022A, Euromonitor / ILO)	Inflation eased to 5.42% (Nov'2022) from 5.71% (Oct'2022) but Bank Indonesia (BI) is expected to maintain a hawkish stance moving into 2023 in order to curb inflation within the 2% - 4% range. Indonesia looking to create a mechanism for rollout of B35 biodiesel policy, which would reduce dependency on oil imports. BI, in an attempt at Central Bank Digital Currencies, launched its design for the digital rupiah, that can be used to buy products on the metaverse. BI is expected to meet on 21/22 Dec 2022 and is expected to hike the 7-day reverse repo rate to 5.5%.	15,536.1
USD / MXN⁷ Mexico	19.6236	2.58%	Sovereign Rating: BBB- (Fitch) Inflation: 7.8% YoY (Nov'2022) Interest rate: 10% (Nov'2022) (Trading Economics) Current account balance (% of GDP): -0.38 Gen. Gov't balance (% of GDP): -2.99 Gen. Gov't debt (% of GDP): 47.04 (31 Dec 2021 FY, Fitch) Unemployment (% of labour force): 3.433 Unemployed population: ~2.08m (Q3FY2022E, Euromonitor / ILO)	While MXN has managed to be one of the best performing currencies in the last year, its resilience isn't expected to last for long amid domestic and internal risks. Interest rates expected to reach 10.5% by end of year and 11% by next year. While this is expected to help support the appreciation of MXN, recession in the US may affect Mexico's growth path. Fears of sharp global economic slowdown, and domestic risks coming from potential radical AMLO policies leading to increased fiscal imbalances – are some of the risks that could weigh in higher on the Mexican peso in the scenario of weaker economic growth.	19.6956
USD / VND⁸ Vietnam	23,803	(2.88%)	Sovereign Rating: BB (Fitch) Inflation: 4.37% YoY (Nov'2022) Interest rate: 6% (Oct'2022) (Trading Economics) Current account balance (% of GDP): -1.04 Gen. Gov't balance (% of GDP): -3.50 Gen. Gov't debt (% of GDP): 39.32 (31 Dec 2021 FY, Fitch) Unemployment (% of labour force): 2.280 Unemployed population: ~1.18m (Q3FY2022E, Euromonitor / ILO)	Broader weakness in the USD and inflows from foreign borrowings by Vietnam Technological and Commercial Joint Stock Bank and Masan Group allowed the VND to appreciate and post its best session since Sept. 2010. State Bank of Vietnam raises cap on 2022 credit growth by 1.5-2.0 percentage points in order to offset credit crunch brought about by rate increases and tighter rules on corporate bond issuance & refinancing. Apple is looking to move manufacturing to Vietnam for AirPods, smartwatches, and laptops, which is expected to support VND	24,457.1

Sources:

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1. Fitch Connect
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3. Trading Economics
4. Bloomberg

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