

**Overview (16/12/2022 to 23/12/2022):** Most emerging market currencies gained but latest US data points to labour market strength that could keep the Fed hawkish for longer, resulting in bullish sentiments towards the USD as the year closes

Currency (as of 23 <sup>rd</sup> Dec 2022)	Closing Price on Thu (22 <sup>nd</sup> Dec)	WoW <sup>1</sup> (22 <sup>nd</sup> Dec v 15 <sup>th</sup> Dec) %	Key Economic Indicators	Key View	Prediction (Q4FY22)
<b>USD<sup>2</sup> / PHP<sup>3</sup></b> Philippines	55.1100	(1.29%)	<b>Sovereign Rating:</b> BBB (Fitch)  <b>Inflation:</b> 8% YoY <sup>4</sup> (Nov'2022) <b>Interest rate:</b> 5.5% (Dec'2022) (Trading Economics)  <b>Current account balance (% of GDP<sup>5</sup>):</b> -1.52 <b>Gen. Gov't balance (% of GDP):</b> -4.83 <b>Gen. Gov't debt (% of GDP):</b> 53.41 (31 Dec 2021 FY, Fitch)  <b>Unemployment (% of labour force):</b> 5.816 <b>Unemployed population:</b> ~2.79m (Q4FY2022E, Euromonitor / ILO)	The Philippine Peso gained against the greenback because of the weakening of the US Dollar and a continued increase in foreign exchange inflows. Policy rates expected to peak at 6.25% in H1FY23. While BSP's (central bank's) decision to hike policy rates by 50 bps in Dec'2022 was in line with expectations, inflation is taking longer to peak than previously expected. Inflation expected to dip below BSP's upper target limit of 4.0% only in Q4FY23. BSP expected to leave rates on hold through H2FY23 as global monetary conditions stabilize and as headwinds to the Philippine economy mount.	56.0252 ↑
<b>USD / IDR<sup>6</sup></b> Indonesia	15,583	(0.22%)	<b>Sovereign Rating:</b> BBB (Fitch)  <b>Inflation:</b> 5.42% YoY (Nov'2022) <b>Interest rate:</b> 5.5% (Dec'2022) (Trading Economics)  <b>Current account balance (% of GDP):</b> 0.29 <b>Gen. Gov't balance (% of GDP):</b> -4.62 <b>Gen. Gov't debt (% of GDP):</b> 41.15 (31 Dec 2021 FY, Fitch)  <b>Unemployment (% of labour force):</b> 5.907 <b>Unemployed population:</b> ~8.59m (Q4FY2022E, Euromonitor / ILO)	Key rate raised to 5.50%, as expected. Pace of hikes slows to 25 bps after three 50 bps hikes. Softer inflation reading, combined with the general outlook for growth challenges in 2023 convinced BI to take a less forceful rate hike. Bank Indonesia (BI) also reiterated its aim to keep the IDR stable, while announcing a new instrument to boost the onshore supply of dollars. IDR expected to strengthen next year to reflect Indonesia's stronger export performance. BI to also continue selling short-dated bonds & standing by to purchase LT notes, aiming to attract portfolio investors while managing borrowing costs for gov't.	15,710.4 ↑
<b>USD / MXN<sup>7</sup></b> Mexico	19.5520	(1.06%)	<b>Sovereign Rating:</b> BBB- (Fitch)  <b>Inflation:</b> 7.8% YoY (Nov'2022) <b>Interest rate:</b> 10.5% (Dec'2022) (Trading Economics)  <b>Current account balance (% of GDP):</b> -0.38 <b>Gen. Gov't balance (% of GDP):</b> -3.04 <b>Gen. Gov't debt (% of GDP):</b> 47.90 (31 Dec 2021 FY, Fitch)  <b>Unemployment (% of labour force):</b> 3.606 <b>Unemployed population:</b> ~2.20m (Q4FY2022E, Euromonitor / ILO)	Banxico (Central Bank) will continue hiking its benchmark interest rate to a terminal rate of 11% in Q1FY23, due to elevated core inflation and further tightening by the US Fed. Banxico expected to gradually lower rates in H2FY23 to 10%, and inflation is expected to reach 4.7% by Q4FY23. Real GDP growth is expected to slow down from 2.7% in 2022 to 1.0% in 2023 due to high rates and weaker external demand. Mexico's current account deficit expected to narrow from 1.3% of GDP (2022) to 1.1% of GDP (2023), as goods and services deficit moderates while remittances inflows remain high.	20.1041 ↑
<b>USD / VND<sup>8</sup></b> Vietnam	23,650	0.53%	<b>Sovereign Rating:</b> BB (Fitch)  <b>Inflation:</b> 4.37% YoY (Nov'2022) <b>Interest rate:</b> 6% (Oct'2022) (Trading Economics)  <b>Current account balance (% of GDP):</b> -1.04 <b>Gen. Gov't balance (% of GDP):</b> -3.50 <b>Gen. Gov't debt (% of GDP):</b> 39.32 (31 Dec 2021 FY, Fitch)  <b>Unemployment (% of labour force):</b> 2.328 <b>Unemployed population:</b> ~1.22m (Q4FY2022E, Euromonitor / ILO)	PM Pham Minh Chinh mentioned that as Vietnam expects to face headwinds in 2023, its monetary policy will aim to stabilize the forex market, meet the country's credit demand, and ensure reasonable credit growth. Foreign Direct Investment rose by 15.1% in first 11 months of 2022 from US\$17.1B to US\$19.68B. Vietnam's benchmark refinancing rate expected to peak at 7.5% in 2023. Softening economic activity likely to constrain loan demand. Financial stability risks rising due to growing real estate lending vulnerabilities & tightening in monetary conditions.	23,707.3 ↑

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:**
1. <https://www.bworldonline.com/banking-finance/2022/12/19/494021/peso-strengthens-further-on-continued-inflows/>
  2. <https://www.reuters.com/markets/asia/indonesia-central-bank-raises-rates-by-25-bps-expected-2022-12-22/>
  3. <https://www.reuters.com/markets/rates-bonds/bank-indonesia-seen-reducing-rate-hikes-modest-25bps-dec-22-2022-12-20/>
  4. <https://e.vnexpress.net/news/economy/foreign-investors-continue-to-pump-investment-into-vietnam-4549366.html>
  5. <https://www.vietnam-briefing.com/news/vietnam-growth-forecast-adb-december-2022.html/>
  6. <https://e.vnexpress.net/news/economy/vietnam-economy-faces-headwinds-next-year-pm-4549573.html>
  7. <https://www.reuters.com/markets/currencies/yen-rises-cautious-calm-after-boj-policy-tweak-2022-12-22/>
  8. <https://www.fxstreet.com/news/forex-today-us-dollar-demand-resurges-amid-upbeat-us-growth-data-202212222015>

**Database:**

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

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