

**Overview (23/12/2022 to 30/12/2022):** The USD aims for best year since 2015. Fed pivot in 2023 might unwind USD gains. Russia-Ukraine war, supply chain issues, China re-opening, inflation, and US Fed rate hikes to shape emerging market currencies in 2023.

Currency (as of 30 <sup>th</sup> Dec 2022)	Closing Price on Thu (29 <sup>th</sup> Dec)	WoW <sup>1</sup> (29 <sup>th</sup> Dec v 22 <sup>nd</sup> Dec) %	Key Economic Indicators	Key View	Prediction (Q1FY23)
<b>USD<sup>2</sup> / PHP<sup>3</sup></b> Philippines	55.6860	1.05%	<p><b>Sovereign Rating:</b> BBB (Fitch)</p> <p><b>Inflation:</b> 8% YoY<sup>4</sup> (Nov'2022)</p> <p><b>Interest rate:</b> 5.5% (Dec'2022) (Trading Economics)</p> <p><b>Current account balance (% of GDP<sup>5</sup>):</b> -1.52</p> <p><b>Gen. Gov't balance (% of GDP):</b> -4.83</p> <p><b>Gen. Gov't debt (% of GDP):</b> 53.41 (31 Dec 2021 FY, Fitch)</p> <p><b>Unemployment (% of labour force):</b> 5.816</p> <p><b>Unemployed population:</b> ~2.79m (Q4FY2022E, Euromonitor / ILO)</p>	The PHP was amongst the worst hit Asian currencies over the last week. PHP expected to trade between 54 and 58 against the greenback in 2023. Country's current account deficit expected to narrow slightly in 2023 as commodity prices settle lower. While weaker exports are expected to drag down the current account balance, the PHP will get support from remittances, revenues from BPO sector, tourism receipts, and FDIs as the foreign trips of President Marcos yielded US\$23.6B in investment pledges. Despite latest weakening of PHP, BSP Governor Felipe believes the worst is over for the strong USD and the weak PHP aggravating inflation is no longer a big problem.	56.2254 ↑
<b>USD / IDR<sup>6</sup></b> Indonesia	15,658	0.48%	<p><b>Sovereign Rating:</b> BBB (Fitch)</p> <p><b>Inflation:</b> 5.42% YoY (Nov'2022)</p> <p><b>Interest rate:</b> 5.5% (Dec'2022) (Trading Economics)</p> <p><b>Current account balance (% of GDP):</b> 0.29</p> <p><b>Gen. Gov't balance (% of GDP):</b> -4.62</p> <p><b>Gen. Gov't debt (% of GDP):</b> 41.15 (31 Dec 2021 FY, Fitch)</p> <p><b>Unemployment (% of labour force):</b> 5.907</p> <p><b>Unemployed population:</b> ~8.59m (Q4FY2022E, Euromonitor / ILO)</p>	The Indonesian Rupiah was amongst the worst hit Asian currencies over the last week. A continued surge in COVID-19 cases in China spurred a risk-averse sentiment, undermining optimism from when Beijing announced loosening of travel restrictions. Consumer price inflation has decelerated in recent months. However, Bank Indonesia (BI) expected to raise benchmark policy rate, the 7-day reverse repo rate, by 25 bps to 5.75% at its next meeting in January to mirror similar expected increases by the US Fed. BI also expected to pause tightening cycle post 25 bps rate hike.	15,819.2 ↑
<b>USD / MXN<sup>7</sup></b> Mexico	19.4615	(0.46%)	<p><b>Sovereign Rating:</b> BBB- (Fitch)</p> <p><b>Inflation:</b> 7.8% YoY (Nov'2022)</p> <p><b>Interest rate:</b> 10.5% (Dec'2022) (Trading Economics)</p> <p><b>Current account balance (% of GDP):</b> -0.38</p> <p><b>Gen. Gov't balance (% of GDP):</b> -3.04</p> <p><b>Gen. Gov't debt (% of GDP):</b> 47.90 (31 Dec 2021 FY, Fitch)</p> <p><b>Unemployment (% of labour force):</b> 3.606</p> <p><b>Unemployed population:</b> ~2.20m (Q4FY2022E, Euromonitor / ILO)</p>	MXN, which is ending 2022 with one of its strongest performances in a decade, could have its gains wiped out in 2023 after an expected end to Banxico's (central bank) rate hike cycles and a possible recession in top trade partner United States. Banxico is expected to decouple from the US Fed, which is seen to continue increasing rates. This would affect the rate differential and could spark an outflow of capital. Concerns over a trade spat with the US and Canada over Lopez Obrador's (president of Mexico) energy policy further muddies the outlook for the MXN. MXN is expected to depreciate in 2023.	20.0026 ↑
<b>USD / VND<sup>8</sup></b> Vietnam	23,620	(0.13%)	<p><b>Sovereign Rating:</b> BB (Fitch)</p> <p><b>Inflation:</b> 4.55% YoY (Dec'2022)</p> <p><b>Interest rate:</b> 6% (Oct'2022) (Trading Economics)</p> <p><b>Current account balance (% of GDP):</b> -1.04</p> <p><b>Gen. Gov't balance (% of GDP):</b> -3.50</p> <p><b>Gen. Gov't debt (% of GDP):</b> 39.32 (31 Dec 2021 FY, Fitch)</p> <p><b>Unemployment (% of labour force):</b> 2.328</p> <p><b>Unemployed population:</b> ~1.22m (Q4FY2022E, Euromonitor / ILO)</p>	State Bank of Vietnam (SBV, central bank) bought USD to shore up foreign reserves, after it was forced to sell a large amount of USD earlier in the year to support the VND. Strong FDI inflows and a large trade surplus have supported the VND this year. Trade surplus forecasted to be US\$11B for 2022. Lending by Vietnamese banks rose 12.87% as of 21 <sup>st</sup> Dec from the end of last year. Given Vietnam's reliance on strong credit growth for expansion & SBV's raising of cap on credit growth to 14%, VND expected to gain support in 2023. SBV stated that it will manage monetary policy in a flexible way to keep inflation at 4.5% next year.	23,819.2 ↑

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://business.inquirer.net/380002/peso-sinks-back-into-561-territory>
2. <https://www.nasdaq.com/articles/emerging-markets-philippines-peso-indonesian-rupiah-lead-losses-in-asian-fx-stocks-down>
3. <https://www.nasdaq.com/articles/emerging-markets-philippines-peso-leads-laggards-among-asian-currencies>
4. <https://www.philstar.com/business/2022/12/30/2234129/peso-slumps-93-2022#:~:text=MANILA%2C%20Philippines%20%E2%80%94%20The%20peso%20slumped,level%20of%2050.999%20to%20%241>
5. <https://www.zawya.com/en/markets/currencies/asian-currencies-slip-as-investors-worry-about-rising-china-covid-cases-h5tqrild>
6. <https://www.reuters.com/markets/currencies/is-party-over-mexicos-peso-could-lose-solid-gains-2023-2022-12-29/>
7. <https://www.reuters.com/markets/asia/vietnam-central-bank-aims-keep-inflation-45-next-year-2022-12-27/>
8. <https://www.channelnewsasia.com/business/dollar-eyes-best-year-2015-fed-rate-path-china-reopening-set-tone-3174401>
9. <https://www.reuters.com/markets/global-markets-wrapup-1-2022-12-30/>

**Database:**

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

**STATEMENT OF DISCLAIMER**

This report is solely for information and general circulation only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without the written consent of Quark Investment ("QI" or "we") This report should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities mentioned herein or to participate in any particular trading or investment strategy. Whilst we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee its accuracy or completeness, and you should not act on it without first independently verifying its contents. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to, and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. You may wish to seek advice from a financial adviser regarding the suitability of the securities mentioned herein, taking into consideration your investment objectives, financial situation or particular needs, before making a commitment to invest in the securities. In the event that you choose not to seek advice from a financial adviser, you should consider whether investment in securities and the securities mentioned herein is suitable for you.

The information provided herein may contain projections or other forward-looking statements regarding future events or future performance of countries, assets, markets or companies. Actual events or results may differ materially. Past performance figures are not necessarily indicative of future or likely performance.

Privileged / confidential information may be contained in this report. If you are not the addressee indicated in the message enclosing the report (or responsible for delivery of the message to such person), you may not copy or deliver the message and/or report to anyone. Opinions, conclusions and other information in this document that do not relate to the official business of QI and the respective connected and associated corporations shall be understood as neither given nor endorsed.