

ASIAN CURRENCIES FACE A BUMPY RIDE TOWARDS RECOVERY

- The USD has peaked. Its descent, though uneven, will benefit battered Asian currencies.
- China's reopening provides tailwinds for Asia via export, commodity, and tourism demand. Countries that historically relied on Chinese demand will benefit more.
- Asian central banks are beginning to diverge in their policy stances as their respective inflation outlooks differ. A longer-than-expected tightening cycle will prop up their notes.
- Asian currencies are likely to trend upwards against the Dollar in general, although the magnitude and timing of their movements will vary.

POLITICAL RISKS IN ASIA: WHERE COULD THE SURPRISES COME FROM?

- Despite Xi's dominance, the party-state will face subtle but substantial forms of dissent and pushback. Beijing, in turn, will double down on driving growth to keep anger at bay.
- Despite underlying risks, we are cautiously optimistic about political developments in Taiwan, Malaysia, and Thailand as pragmatism allows for navigating uncertainty.
- India and Indonesia are sources of potential downsides, with identity politics and economic and foreign policy nationalism being sources of potential turbulence.

REGIONAL UPDATES

- China: the lunar new year spending boost might be temporary. Low inflation will allow monetary policy to remain accommodative.
- India's central bank continued to tighten but at a slower pace. Sticky core inflation and strong demand conditions mean that it still has some way to go before halting rate hikes.
- Malaysia experienced strong headline GDP growth, but this masks an underlying slowdown. Political stability is a welcome boon given the uncertain outlook.
- Taiwan's exports fell by 21.2% y/y, with the semiconductors industry taking a similarly large hit. A festive spike in inflation complicates the central bank's calculus.
- Thailand gears up for a potentially-decisive poll in May, with hopes that the likely winner, Pheu Thai, cuts a deal with the monarchy-military establishment to allow it to govern.
- Inflation in the Philippines still shows no sign of peaking. Further tightening is likely.

Centennial Asia Advisors is an independent research and advisory firm focused on emerging economies in the Asia Pacific. We specialize in the intersection of economics, politics, and international affairs.

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