

## BoK Expected to Stay on Hold Thursday

- BoK is expected to leave its policy rate unchanged at 1.50% on Thursday morning
- We stay watching geopolitical situation on the Peninsula amid rising uncertainty surrounding the US-North Korea summit temporarily set for Singapore on 12 June
- USD/KRW is likely to trade between 1,055 and 1,085 at present in our opinion

**Asia Overview** - EM Asian currencies advanced versus the USD during Tuesday's Asian session. The THB strengthened about 0.6%, leading gains in regional currencies. USD/THB is likely to consolidate for now, following a broader market tone. In the medium term, Thailand's sound fundamentals are supportive of the local currency. Thailand's Prime Minister Prayuth Chan-Ocha on Tuesday reiterated that the general election is due at the start of 2019. The PHP advanced more than 0.4%. However, USD/PHP is still likely to test the 52.5 resistance going forward. The Philippines government is ready to suspend collection of excise taxes on fuel if crude oil prices hit USD 80 per barrel. The IDR, MYR and TWD rose about 0.3% each yesterday. USD/IDR could stabilize for now but with upward potential towards 14,200. BI Governor Agus Martowardojo said yesterday that the central bank adopts flexible exchange rate, allowing the IDR to reflect economic fundamentals. Indonesia's finance minister Sri Mulyani Indrawati told reporters on Tuesday that the BI has further room to tighten rates and the government will work with the central bank to ensure economic stability. While USD/MYR is heading for 4.0 gradually, the MYR is fundamentally undervalued and will rebound in the medium term. Malaysia's foreign reserves declined to USD 109.4bn as of 15 May from USD 109.5bn a fortnight ago, sufficient to finance 7.6 months of retained imports or 110% of short-term external debt. Malaysia's state news agency *Bernama* reported on Tuesday that the nation will review the implementation of mega projects such as the high speed rail line to Singapore, citing economic affairs minister. USD/TWD is likely to test the 30.0 resistance in the coming future, tracking the DXY index in general. The CNY advanced about 0.3% while the CNH edged up on Tuesday, even though the PBoC set USD/CNY fixing higher than expected in the morning. Both USD/CNY and USD/CNH are likely to trade between 6.25 and 6.40 for now. USD/INR is expected to consolidate around 68.0 for now and then rise towards the 69.0 mark amidst elevated oil prices and 10Y UST yield. The Indian central government plans to sell INR 150bn of bills on Wednesday and INR 120bn of bonds on Friday. We note Indian states sold only INR 49.2bn of bonds out of the INR 87.5bn on offer. The SGD inched up, while the JPY gained slightly yesterday.

Regional equity indices diverged on Tuesday. China's SHCOMP index edged up 0.02%, while India's NIFTY50 index rose 0.19%. In the meantime, Taiwan's TWSE index slid 0.25% as global funds trimmed their holdings in local main board shares by USD 37.3mn on Tuesday. Malaysia's KLCI index and Thailand's SET index closed down 0.46% and 0.43% respectively. However, Indonesia's JCI index ended 0.30% higher in spite of USD 25.0mn of equity outflows. South Korea's onshore markets will reopen on Wednesday after a public holiday.

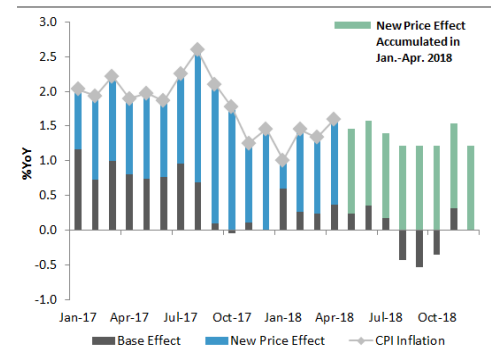
**Korea** • The BoK is expected to leave its policy rate unchanged at 1.50% on Thursday morning given the nation's benign inflation outlook. South Korea's CPI inflation is expected to remain steady in the months ahead after rising to 1.6% yoy in April and to cool moderately in the period of August to October due to the base effect.

In addition, BoK Governor Lee Ju-yeol said last Thursday that "the South Korean economy has been pulling off steady growth since last year, but *it has become hard to be optimistic* due to negative external and internal conditions."

 FOLLOW US ON TWITTER @SCOTIABANKFX

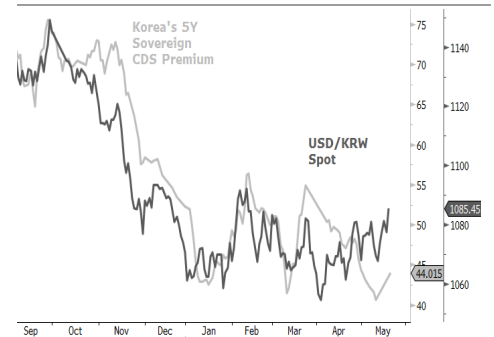
Qi Gao  
 FX Strategist (Asia)  
 +65 6305 8396  
[qi.gao@scotiabank.com](mailto:qi.gao@scotiabank.com)

### South Korea's CPI Inflation



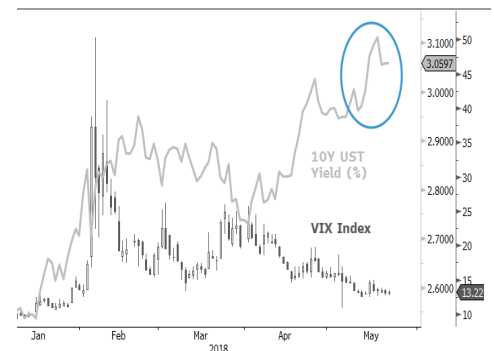
Source: Bloomberg & Scotiabank FICC Strategy

### USD/KRW vs. South Korea's 5Y Sovereign CDS Premium



Source: Bloomberg & Scotiabank FICC Strategy

### 10Y UST Yield vs. VIX Index



Source: Bloomberg & Scotiabank FICC Strategy

We stay watching geopolitical situation on the Peninsula amid rising uncertainty surrounding the US-North Korea summit temporarily set for 12 June in Singapore. US President Donald Trump said Tuesday that there was a “very substantial chance” that his summit with North Korean leader Kim Jong-un could be postponed. He raised doubts over the timing of the summit at a White House meeting with South Korean president Moon Jae-in.

Moreover, we keep a close eye on US-China trade relations. US President Donald Trump on Tuesday tempered expectations that the US and China had reached a tentative trade agreement. His comments came two days after Treasury Secretary Steve Mnuchin said the US and China had agreed to a “framework” for a trade deal.

**USD/KRW is likely to trade between 1,055 and 1,085 at present, while local exporters’ dollar selloff will cap upside room for the pair when approaching the month end.**

Separately, Matteo Salvini, the leader of Italy’s far-right League, said on Tuesday he would like to see eurosceptic economist Paolo Savona as economy minister in the government. **It has spurred and intensified market concern, which will keep weighing on the EUR at the moment.** Salvini also told a press conference later that day that “the French should look after France and stop poking their nose into other people’s affairs.”

**TODAY'S CALENDAR**

Time (HKT)	Economy	Type	Release	Period	Consensus	Last	Significance
11:00	KR	DATA	Household Credit, KRW	Q1		1450.9tn	med
12:00	MY	INFL	CPI YoY	Apr	1.6%	1.3%	med-high
13:00	SG	INFL	CPI NSA MoM	Apr	-0.1%	-0.2%	med-high
13:00	SG	INFL	CPI YoY	Apr	0.5%	0.2%	med-high
13:00	SG	INFL	MAS Core CPI YoY	Apr	1.4%	1.5%	high
16:00	TW	DATA	Industrial Production YoY	Apr	6.25%	3.09%	med-high
16:00	SG	DATA	Automobile COE Quota Premium for Category A	May 23		38,941	med
16:00	SG	DATA	Automobile COE Quota Premium for Category B	May 23		38,501	med
16:00	SG	DATA	Automobile COE Quota Premium for Category E	May 23		38,600	med
	PH	DATA	Budget Balance, PHP	Apr		-110.7bn	med
16:30	UK	INFL	CPI MoM	Apr	0.5%	0.1%	high
16:30	UK	INFL	CPI YoY	Apr	2.5%	2.5%	high
16:30	UK	INFL	CPI Core YoY	Apr	2.2%	2.3%	high

**CONTACTS - GLOBAL FX STRATEGY**
**Shaun Osborne**

Chief FX Strategist

T +1 416 945 4538

[Shaun.Osborne@scotiabank.com](mailto:Shaun.Osborne@scotiabank.com)
**Qi Gao, FRM**

FX Strategist (Asia), Associate Director

T +65 6305 8396

[qi.gao@scotiabank.com](mailto:qi.gao@scotiabank.com)
**Eric Theoret, CFA, CMT**

FX Strategist (G10), Director

T +1 416 863 7030

[eric.theoret@scotiabank.com](mailto:eric.theoret@scotiabank.com)
**IMPORTANT NOTICE and DISCLAIMER:**

This report is prepared by Scotiabank as a resource for clients of Scotiabank for information and discussion purposes only. This report should be considered a marketing communication and has not been prepared by a member of the research department of Scotiabank, it is solely for the use of sophisticated institutional investors, and this report does not constitute investment advice or any personal recommendation to invest in a financial instrument or "investment research" as defined by the UK Prudential Regulation Authority or UK Financial Conduct Authority. This document has not been prepared in accordance with EU legal requirements designed to promote the independence of investment research and the information contained in this publication is not subject to any prohibition in the EU on dealing ahead of the dissemination of investment research. Opinions, estimates and projections contained herein are our own as of the date hereof and are subject to change without notice. The information and opinions contained herein have been compiled or arrived at from publically available sources believed reliable but no representation or warranty, express or implied, is made as to their accuracy or completeness and neither the information nor the forecast shall be taken as a representation for which Scotiabank or any of its employees incur any responsibility. Neither Scotiabank nor its representatives accept any liability whatsoever for any loss arising from any use of this report or its contents. This report is not, and is not constructed as, an offer to sell or solicitation of any offer to buy any financial instruments and has no regard to the specific investment objectives, financial situation or particular needs of any recipient. It is not intended to provide legal, tax, accounting or other advice. Scotiabank and/or its respective officers, directors or employees may from time to time take positions in the products mentioned herein as principal or agent. Directors, officers or employees of Scotiabank may serve as directors of corporations referred to herein. Scotiabank may have acted as financial advisor and/or underwriter for certain of the corporations mentioned herein and may have received and may receive remuneration for same. This report may include forward-looking statements about the objectives and strategies of Scotiabank. Such forward-looking statements are inherently subject to uncertainties beyond the control of Scotiabank including but not limited to economic and financial conditions globally, regulatory development in Canada and elsewhere, technological developments and competition. The reader is cautioned that the member's actual performance could differ materially from such forward-looking statements. Past performance or simulated past performance is not a reliable indicator of future results. Forecasts are not a reliable indicator of future performance. You should note that the manner in which you implement any of strategies set out in this report may expose you to significant risk and you should carefully consider your ability to bear such risks through consultation with your legal, accounting and other advisors. Information in this report regarding services and products of Scotiabank is applicable only in jurisdictions where such services and products may lawfully be offered for sale and is void where prohibited by law. If you access this report from outside of Canada, you are responsible for compliance with local, national and international laws. Not all products and services are available across Canada or in all countries. All Scotiabank products and services are subject to the terms of applicable agreements. This report and all information, opinions and conclusions contained in it are protected by copyright. This report may not be reproduced in whole or in part, or referred to in any manner whatsoever nor may the information, opinions and conclusions contained in it be referred to without in each case the prior express consent of Scotiabank. Scotiabank is a Canadian chartered bank.

If you are affected by MIFID II, you must advise us in writing at [trade.supervision@scotiabank.com](mailto:trade.supervision@scotiabank.com).

™ Trademark of The Bank of Nova Scotia. Used under license, where applicable. Scotiabank, together with "Global Banking and Markets", is a marketing name for the global corporate and investment banking and capital markets businesses of The Bank of Nova Scotia and certain of its affiliates in the countries where they operate, including, Scotia Capital Inc. and Scotia Capital (USA) Inc., Scotiabank Europe plc, Scotiabank (Ireland) Limited - all members of the Scotia-bank Group and authorized users of the mark. The Bank of Nova Scotia is incorporated in Canada with limited liability. Scotia Capital Inc. is a member of the Canadian Investor Protection Fund. Scotia Capital (USA) Inc. is a broker-dealer registered with the SEC and is a member of FINRA, NYSE, NFA and SIPC. The Bank of Nova Scotia is authorized and regulated by the Office of the Superintendent of Financial Institutions in Canada. The Bank of Nova Scotia is authorized by the Prudential Regulation Authority and subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of The Bank of Nova Scotia's regulation by the Prudential Regulation Authority are available from us on request. Scotiabank Europe plc is authorized by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

To unsubscribe from receiving further Commercial Electronic Messages click this link: [www.unsubscribe.gbm.scotiabank.com](http://www.unsubscribe.gbm.scotiabank.com).