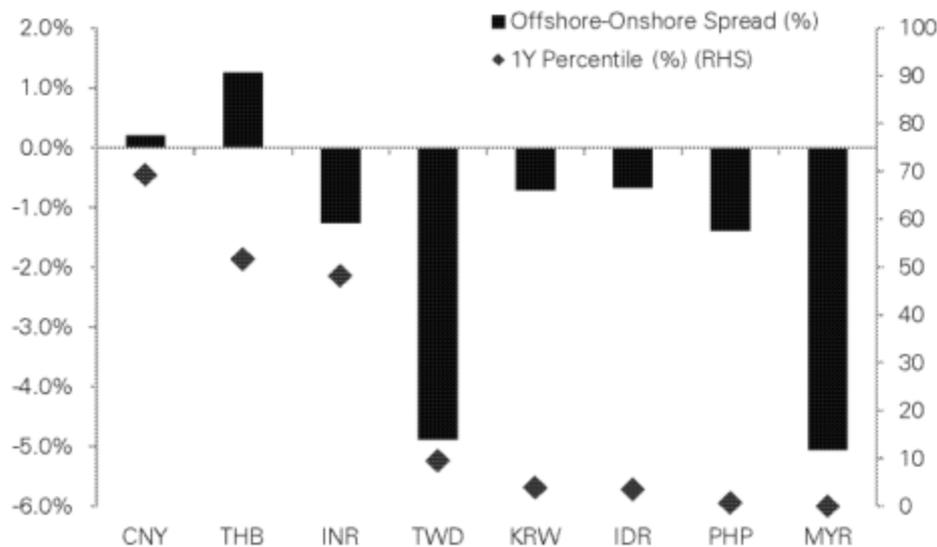
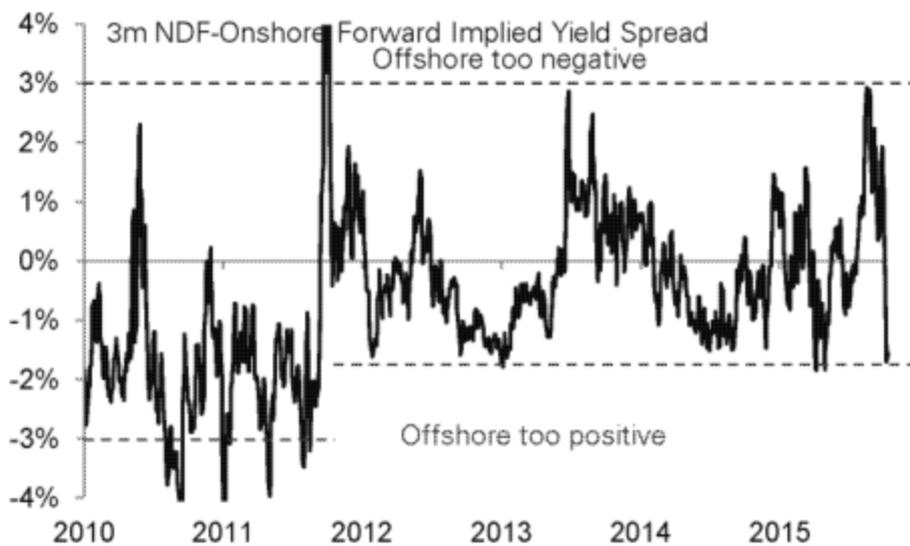


- Most currencies have tracked equity markets tightly in this rebound. Based on simple level correlations between FX and local stocks (Charts 11-16), INR, THB and KRW are trading fair to equities, IDR has overshot and now looks rich versus the JCI, as does PHP, slightly. TWD still looks cheap versus local stocks.
- Regressions of FX against key financial variables suggest IDR and KRW now look rich to underlying asset market drivers (Chart 17). Indeed, both may soon encounter official bids, with IDR trading near the bottom of the 13300-13700 range identified by BI as fair value. PHP, SGD, TWD and CNY are within 1% of fitted fair value based on our regression. INR, MYR and THB could be considered cheap on this metric. We have been constructive on INR, had turned neutral on the THB, but have believed there are idiosyncratic reasons why MYR should remain cheap (political risk premium, reserve rebuilding, limited policy space).

Offshore-onshore implied yield spreads (Chart 1 and 2)



Source: Bloomberg Finance LP